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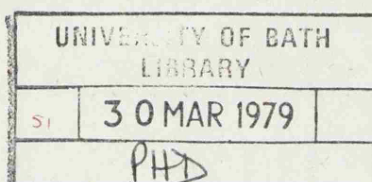
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BRITISH AND AMERICAN
UNEMPLOYMENT BENEFIT SYSTEMS:
A COMPARATIVE STUDY



Submitted by Dean E Hutter

for the degree of PhD

of the University of Bath

1978

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SUMMARY

This research was conducted over a two and one-half year period to study and compare four aspects of the British and American unemployment benefits systems: legislative philosophies, administrative procedures, fraud control, and employer-claimant attitudes. As part of the larger field of industrial relations, this study focuses primarily on British and American employers and claimants. In an adjunctive role are governments of both nations as legislators of the governance and procedural structure under which each system operates.

The legislative philosophy of "liberalisation" is pre-eminent among the others in both countries, as reflected by steady increases in benefit amounts and extension of coverage to more segments of the workforce. From comparisons made in seven key procedural areas, the British centralised system of authority and decision-making at the national level emerged as more efficient and equitable in application than is possible under the decentralised American federal-state system.

Comparison of fraud investigation methods, incidence and control measures underscores again the advantages which accrue to Britain through centralised administration. British and American employers reflect similar attitudes in their questionnaire responses, differing sharply only in two areas; American employers are evenly split on whether a benefit system is needed, while British employers are almost unanimous in supporting that need; British employers are divided on whether unions pressure employers to support the work-shy, while American employers agree overwhelmingly that this is so. British and American claimants reflect similar attitudes, varying only in the degree of congruence.

Consistent with the purpose of this study - to extend the boundaries of knowledge and propose solutions to common problems - recommendations are made to improve both systems. Principally among these: "experience rating" is recommended for the British system as an incentive-reward to employers who succeed in stabilising their workforce; nationalised benefits procedures and shared employer-employee contributions are recommended for the American system.

ACKNOWLEDGEMENTS

Over the past three years, the number of people and organizations to whom I have become indebted for help in completion of this study has increased exponentially. The scope of the study and the alternating locus of research between the United Kingdom and the United States required that I enlist such help on both sides of the Atlantic and Pacific. As a consequence of these somewhat unusual circumstances, I am not surprised to find the main difficulty in setting out these acknowledgements lies in applying the selectivity imposed by space limitations while assuring appropriate credit is attributed to those whose contributions have been so important.

Foremost among those of the British community is Alan G Baker, Head of Manpower Studies Group, University of Bath who, as my doctoral supervisor, advised, criticised and encouraged me throughout the preparation and conduct of the project. The pivotal position with respect to the actual conversion of the sea of drafts to final copy was in the admirable and efficient person of Ms Paddy Vines, also of the School of Management, University of Bath. During the UK-based research, my sincere thanks go to Messrs Willson, Lister, Gordon and Miss Barbara Rackham and their staffs, all of the London offices of the Department of Employment, for their patience and willingness to share expertise and counsel with me on matters of procedure and fraud control. Their counterparts in the Bristol regional office, T D Brown and Judy Wade, and in various local unemployment benefit offices, Mrs L Benfield, D Plummer, and G E Mason (Bath), J Knowles and M C Hunt (Trowbridge), E J McIvey and R Dunmagan (Inverness) were likewise extremely supportive in supplying detailed information on which to base certain segments of the study. Further acknowledgement

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On the American side, priority of thanks must go to Dr Marvin D Loper, College of Business Administration, University of Hawaii for his detailed review and valuable advice on the study drafts. Other American individuals and agencies to whom I owe much credit for both courtesies and forbearance are: Commissioner Julius Shiskin, U.S. Bureau of Labor Statistics and his several regional staffs, the state-level labor departments of California, Illinois, Mississippi, Colorado, Ohio, New York and Hawaii, each of which contributed significantly to the assembly of information from which a representative view of the unique U.S. federal-state relationship could be distilled. To Mr J Dawson and Mrs M Kanada of the Hawaii State Department of Labor and Industrial Relations, to the Lex Brodie Small Business Association, Hawaii Employers Council, and the Chamber of Commerce of Hawaii go my appreciation for all the time and personal involvement which their staffs assumed on my behalf during so long a time.

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General Introduction

The present strong, interdependent social and economic ties which characterise the relationship between Britain and the United States have matured over the past 200 years. These ties have been forged through exchanges of ideas and mutual co-operation in successful efforts to solve a variety of common problems many times during that long period. One contemporary common problem, of acute importance, is that of unemployment. This is an increasingly visible issue which plays host to a number of component elements, each of which contributes to the overall severity of the whole problem. Among these components is the system of unemployment benefits by which both nations provide income maintenance to regular members of the workforce, temporarily unemployed through no fault of their own, while they seek new work.

Early in the literature search phase of this study, certain of Professor Beynon's precepts were adopted as a sort of platform on which to base the remaining effort. In his inaugural address as Royal Research Professor, University College of Swansea, he made the point that "Research may conveniently be divided into two kinds, one in which the only motive is to extend the boundaries of knowledge, the other where the purpose is to solve problems of common concern." This study seeks to harness both "kinds". First, to extend the boundaries of knowledge through examination and comparison of the British and American unemployment benefit systems; and second, from that base to draw conclusions and recommendations which may be useful in addressing these "problems of common concern."

In accordance with the provisions of the approved research proposal, this study portrays and compares four aspects of the British and American systems of unemployment insurance: legislative philosophies, administrative procedures, fraud incidence and control measures, and employer-claimant attitudes. The chapters on legislative philosophies and attitudes represent new areas of research in this field for which no evidence of previous exploration has been found. In discussing these two topics, certain labels have been devised and applied for ease of reference. During the conduct of this study, effort has been made to remain objective and politically neutral in assessing the efficacy and character of each nation's system. The conclusions and recommendations chapter bring out the net yield of the research and areas for practical application and improvement.

As used within the text, the following terms should be construed as interchangeable: for the United Kingdom, Britain, British, UK; for the United States: American, America, USA, U.S. With respect to the system of referencing, document citations are complete in each footnote, except in the literature chapter, wherein only abbreviated citations appear (author's name, date of publication). Footnotes, appendices and tables are numbered consecutively and integrated into the body of each chapter. The bibliography contains a complete, British-American listing of references.

While not necessarily the single most important element of the whole unemployment problem, the direct relationship between the number of unemployed and unemployment benefits assures it a high priority position in that hierarchy. Both nations admit that the parent issue shows every indication of permanency. Lyn Owen (The Observer, 13 August 1978) stated: "Present unemployment is no brief dip in the

graphs between sixties boom and North Sea oil bonanza, but in all probability a permanent reality. There are many children growing up now who will never know what it is like to be employed." The United States Congress declared recently that a state of "full employment" would exist when an unemployment rate of no more than four per cent (3.8 million) is reached.

Within the industrial relations field, it is hoped that this study will promote better understanding of the role benefits play in the parent problem scenario of unemployment, and that the recommendations may be useful as anchor points for discussions of improvements to each system.

CHAPTER 1

THE PROPOSAL, NATURE AND SEQUENCE OF RESEARCH

The need for a comparative study of United Kingdom and United States' unemployment benefits systems as a basis for identifying means of improvement to each of them is derived from their common economic and social problems associated with such benefits. These problems have become increasingly acute over the past five years, during which period the unemployment rate in both countries soared at the same time that buying power was eroded by the effects of spiralling inflation. The two nations are party to similar historical roots, are economically interdependent, and subscribe generally to the same political and social goals. They share the belief that the unemployment insurance legislation now on their respective books is necessary to provide monetary benefits on a temporary basis to those who are unemployed through no fault of their own. They share also the conviction that ineligible persons must be prevented from successfully laying claim to such benefits through abuse and fraud tactics. These factors combine to postulate a need to compare key elements of their unemployment benefits systems and, from the results of the comparison, to distill useful recommendations for improvement of each system.

Of collateral importance, as part of the research effort, is the professional maturation to be realized by this researcher-university faculty member in terms of increased knowledge and exposure to an other-than-American point of view. In his Culture and Management, Ross A Webber describes the ethnocentric nature of American management as follows: "On no subject are Americans more self-centred and ethnocentric than on the management of economic enterprise." While

Webber addressed his remark primarily to the business community, personal observation over many years convinces me that the same ethnocentricity applies in equal measure to the members of the academic profession.

In the interest of providing appropriate background in advance of detail contained in later chapters, it is appropriate at this point to outline the salient features of each nation's system under study as preamble to further discussion of the proposal, nature and sequence of the research.

The British System. Evolved from the Elizabethan Poor Laws, the National Insurance (NI) Act of 1911 established a comprehensive framework of social welfare, expanded progressively through the years, of which Unemployment Benefits is one element. The Unemployment Benefit (UB) system is administered on a national basis, through a subordinate network of regional and local UB offices under the direct supervision of the Department of Employment (DE), the latter operating under policies of the Department of Health and Social Security (DHSS). Funding of unemployment benefits is integrated within the shared employee-employer NI contribution paid to the Inland Revenue, as receiving agent, through employer administrative channels. All administrative procedures, filing and recording claims, payment to claimants, and fraud control are uniform throughout the nation. Benefits can be paid up to a maximum of 312 days to those who were employed for at least 26 weeks during the relevant tax year and who are otherwise eligible. An earnings-related supplement is payable also for up to 6 months to unemployed persons whose normal earnings exceed a base level, the exact floor of which is revised periodically according to the cost of living/price index.

The American System. As part of the Social Security Act of 1935, a federal-state partnership for administration of an unemployment insurance system was created. Congress legislated certain broad standards, primarily concerned with assuring impartiality of benefit administration and maintenance of complete financial records, which each state had to satisfy in order to participate in federal subsidy of state administrative costs. Although no state was compelled to establish an unemployment benefit programme, the lure of the federal subsidy - and the skyrocketing unemployment problem of the depression years - proved adequate to bring all states under the federal umbrella within a few years. As enacted, a payroll tax of 3 per cent was levied on employers within participating states, with provision that they receive up to 90 per cent credit of that amount against the federal tax for contributions they paid under (federally-approved) state unemployment insurance laws. Currently, only three states (Alabama, Alaska and New Jersey) require employees to contribute with their employers to the state Unemployment Trust Fund; all other states impose contributions on employers only. As a consequence of the wide latitude accorded each state, unemployment insurance laws vary greatly among them. Eligibility standards, filing and recording of claims, duration and amount of benefits, fraud control measures and most other administrative procedures all fall within the jurisdiction of each state. All benefit payments are earnings-related, usually at about 50% of normal wages up to a maximum dollar figure. A 26-week maximum duration is observed in most states, with additional periods subsidized by federal and/or state funds during times of high unemployment. Depending upon the laws in the state where an employer does business, reduced payroll taxes may be authorized under an "Experience Rating" concept which rewards employers for achieving

workforce stability (no dramatic layoff or firing incidence).

The Proposal

A preliminary research proposal was outlined early in 1976 to Mr Alan G Baker, Senior Lecturer in Manpower Studies and Head of the Manpower Studies Group (and Mr Geoffrey Hutton, then Director of Postgraduate Studies), both of the School of Management, University of Bath. Based on their interest in the subject, a literature search was begun in the United States in March 1976. At the same time, the initial proposal was refined to identify major comparison points and to confirm a dual-based research effort in the United Kingdom and the United States.

After revisions of the preliminary proposal during a two-month period of residency at the University of Bath (May-June 1976), the formal proposal was formally submitted under the title: A Comparative Study of British and American Unemployment Benefit Systems. Subsequently, the proposal was approved by the Board of Studies and the Senate of the University.

Nature and Sequence of the Research

The research issue is of public concern to the United Kingdom and the United States. In the UK (1971-1973), the Fisher Committee inquired into the whole spectrum of social welfare benefits, but without special focus on unemployment benefits. No similar study is known ever to have been undertaken in the United States on a national level, although individual states have studied the subject.

The objective of the research is four-fold: (1) portrayal and comparison of UK and USA legislative philosophies and administrative procedures which apply to unemployment benefits; (2) identification and comparison of abuse-fraud incidence and control measures; (3) analysis and comparison of UK/USA employer and claimant attitudes toward their respective systems; (4) recommendations of measures whereby each system might achieve greater economy while providing more efficient service to eligible claimants.

The overall objective featured extensive field work utilizing interviews with employers, claimants and system administrators, and administration of employer and claimant survey instruments during residency in the United Kingdom and the United States. Conduct of research was forecast in four phases:

Phase 1: USA-based, July 1976-May 1977

Phase 2: UK-based, June-December 1977

Phase 3: USA-based, January-May 1978

Phase 4: UK-based, June-September 1978, for completion of research and final draft of study. Each of these phases is explained in greater detail in the following paragraphs.

Phase 1: USA-based, July 1976-May 1977. Starting in July 1976, the literature search was continued and contact made with unemployment benefit divisions in New York, Mississippi, Illinois, Colorado, California and Hawaii. The last-mentioned of these, Hawaii, was the main vehicle for study of the American system. Personal visits to these states enroute to and from the United Kingdom expedited research of procedural and attitudinal interests. The four primary research elements of legislative philosophies, procedures, abuse-fraud

and employer-claimant attitudes towards the state systems were examined, recorded and drafted in narrative form.

During the summer and early autumn of 1976, two types of attitude questionnaires were developed and administered; one for employers, the other for claimants. A combination of personal visit and telephone contact was used to obtain employer responses; personal interview only for claimant reaction. These questionnaire responses were then programmed for computer analysis for later use in the comparisons with counterpart British employer-claimant attitude questionnaires during Phase 2.

Extensive interviewing of random-choice employers and claimants was conducted in Hawaii (96 of each category), Buffalo (each 34) and Sacramento, California (each 26). Interviews of a lesser number of employers and claimants were conducted in Jackson, Mississippi (14 employers, 19 claimants), and Elgin, Illinois (21 employers, 16 claimants). In all instances, claimant interviews took place off the premises of unemployment benefit offices, since co-operating benefit administrators in these locations wished to avoid any implication that this research was officially endorsed by their state government. Consequently, claimant interviews were conducted in parking lots and public streets just off but immediately adjacent to unemployment office premises while claimants were either enroute to or coming from them.

Agencies in the state of Hawaii especially co-operative through the USA-based research during Phase 1 are: Department of Labor and Industrial Relations, the Lex Brodie Small Business Association,

The Chamber of Commerce of Hawaii, the Hawaii Employers' Council, the International Longshoremen's and Warehousemen's Union, the Industrial Relations Institute of the University of Hawaii and various senators and representatives to the Hawaii State Legislature.

Phase 2: UK-based, June-December 1977. After completion of Phase 1,

the research locus was moved to the United Kingdom in May 1977.

The County of Avon (Somerset) had been selected during the previous year's residency as the prime area for United Kingdom research, with Bath as the operation centre. Contacts with regional (Southwest Region) unemployment benefit officials in Bristol, made in 1976, were renewed and on-site "attachments" arranged by Mr T D Brown, Regional Staff Training Officer, Department of Employment (DE), Bristol. These visits provided opportunity for detailed examination of premises, procedures and problem areas, and for interviews with key administrators from whom a "feel" of the administrative environment could be acquired. The UBO's in Bristol, Trowbridge, Midsomer Norton and Bath were visited initially. Additional visits were made elsewhere in the United Kingdom, arranged personally during subsequent months. In addition to UBO visits, interviews were conducted with other DE officials of the Southwest Region: the Assistant Regional Director, Regional Staff Officer, Regional Insurance Officer, and the Regional Fraud Officer - the last of especial importance due to the emphasis placed on this subject in the study. Return visits arranged at later times in order to explore in greater detail certain points which proved initially more complex than anticipated.

Under the aegis of Mr A Willson, Overseas Division, DE headquarters in London, a total of 19 visits were made to various London-based

offices of the Department of Employment and the Department of Health and Social Security (DHSS). Key officials were interviewed and re-interviewed at these times, including Miss Barbara Rackham who supervises at the national level the control of abuse and prosecution of unemployment benefit fraud cases referred there by subordinate regional fraud officers. The London-based research provided education and insight into the operation of the national system and an opportunity to understand some of the administrative and philosophical conflicts arising from cultural differences among the people of England, Wales and Scotland. As part of these London visits, interviews of claimants and completion of claimant questionnaires were conducted in the borough of Deptford, a depressed area of the city.

During the London itinerary, which extended through the eight-month residency, with visits lasting two or three days each, the literature search was continued at the British Library, University of London Library, London Reference Library, and the London School of Economics Library. Further, contacts made with the British Institute of Management, Confederation of British Industry, and the Social Science Research Council were extremely helpful in identifying people, places and avenues to assist in the research effort and in opening their respective libraries for this purpose.

The library research in London, coupled with that conducted in the university libraries of Bath and Bristol, and in the Bath Municipal Reference Library, confirmed that no studies were presently in progress and no studies had been made previously which were similar in scope to the subject matter of this dissertation. Of special importance in this confirmation was the examination of all

studies now funded and those for which proposals for funding have been received by the Social Science Research Council.

The staff of the Chamber of Commerce of Bristol assisted in reviewing the UK employer and claimant questionnaires, already administered in the USA, and suggested changes which would render them colloquially appropriate in Britain. These questionnaires were then completed by members of Rotary Clubs in Bristol, Bath and London to obtain employer reactions. Claimant questionnaires were completed outside UBO premises in Bath, Bristol, London - to include Deptford - and Inverness.

The basic UK research, counterpart to that previously undertaken in the United States during Phase 1, was completed in early September 1977. Following review and consultation with Mr Alan Baker, the comparison chapters for legislative philosophies and for procedures were drafted and submitted to him during the final October-December 1977 period of UK residency.

Phase 3: USA-based, January-May 1978. During this period, certain points which had surfaced in the United Kingdom were explored for counterpart American data, such as "emergency procedures" for administering sudden, dramatic rises in claimant traffic. Further, the USA literature search was completed; this confirmed what had been noted in the United Kingdom, that no comparative studies had been made or were currently proposed of UK-USA unemployment benefits systems.

The comparative analysis was drafted between UK and American employer and claimant attitudes toward unemployment benefits. Other chapters -

methodology, conclusions, recommendations - were put in final draft form.

Phase 4: UK-based, June-September 1978. During this final period of residency in the United Kingdom, revisions of previous work, updating of certain statistics, completion of the UK literature search write-up and preparation of final draft were accomplished. After consultation with Mr Alan Baker, the study was prepared in final form and formally submitted for evaluation on 30 September 1978.

CHAPTER 2

THE LITERATURE

This review is divided into two parts. Part 1 focuses on the work of British authors and certain others within the Commonwealth; Part 2 discusses the work of American writers in the field. Each of these Parts follows generally the same sequence of presentation as that observed in the arrangement of major chapters within the study itself: legislative philosophies, procedures, fraud-abuse, and attitudes.

The term "legislative philosophies" was coined by this researcher as a convenient title for one of the main elements of this study. Since it does not exist in general use, there is no literature under that specific label. Consequently, in that area this review is an amalgam of the slow, largely qualitative reactions to unemployment and income maintenance by British and American society. Literature on procedures rests heavily on official government sources, and the commentary of writers who study procedures and evaluate their effect on those concerned, then make judgements on the efficacy, severity, or permissiveness of the systems from their own vantage point. Literature on fraud and abuse has been found mainly through combination of official publications and the popular press, to include periodicals. The rising cry of public outrage against those who subvert the unemployment benefits system to support their voluntary idleness is a high saleable issue in our time. Government statistics and analysis of fraud-abuse form the basis for a wide range of media discussion. Attitudes are elusive properties, as expressed in that chapter, influenced by locale, socio-economic pressure and peer norms,

among other factors. Within this disparate and wide-ranging set of possible literature sources, the contemporary media offers the best means to examine attitudes subjectively, while selected statistical recipes provide means for quantitative evaluation and comparison.

This review, thus, rests on diverse British-American historical and contemporary legislative, philosophical and government bases. The communication means which give these bases voice are equally diverse: historic and contemporary books, pamphlets, manuscripts, newspapers and periodicals of all sorts, radio, television, questionnaire and personal interview. What follows here in Part 1 and Part 2 incorporates only written sources, excluding radio, television, questionnaire and personal interview.

As stated in the General Introduction, references discussed in this chapter are cited in abbreviated form, eg (author's surname, date of publication). Complete reference citations are listed alphabetically in the Bibliography.

Part I (British Authors)

Significant events which illuminate the legislative path of the British Government in arriving at the present forms of public assistance to those who are unemployed, or are in want from some other reason, occurred over a period of 500 years. An appreciation of these events and the social climate which produced them depends on historical chronicles of those times and the interpretive commentary which certain writers have accorded them. Fortunately, there is a wealth of such documentation and, as is often the case with an abundance of resources and choice, selectivity becomes a problem equal almost in its yield of frustration to that encountered when resources are hard to come by. Of the two extremes, however, abundance is by far the more preferable.

Identification of legislative philosophies relevant to unemployment benefits is a tenuous undertaking, but perhaps with a heightened degree of uncertainty in the case of this study since no previous research on this subject has come to light. To acquire necessary background on what might be called "social enlightenment" required examination of numerous books and documents; yet this effort yielded only a small harvest in terms of direct application to the first of the core subjects, that of legislative philosophies. In short, the process of triage consumed a significant measure of the total effort.

Of the writers whose work was of value in the acquisition of the general "flavour" mentioned above, was a quartet composed of J J and A J Bagley (1968), Cole (1948), Gilbert, B B (1966), and Bruce (1973). Among this group, the Bagleys (1968) portray the impact of the plague in 1348, its stimulation of peasant workforce mobility, and the repressive measures taken by the Crown to deny such mobility. From these accounts, one can understand the dilemma confronting feudal landowners when, within a few weeks after the black death struck on its path from the Hampshire and Dorset coasts to London, there arose for the first time an acute shortage of labour - a disturbing and unexpected shift in the balance of that society. The stop-gap measures of Edward III, which forbade employers to pay higher wages to assure their fields would be worked, followed by the harsh vagrancy penalties of the Tudors aimed at the migrating workers clearly establish the cause and effect relationship between these events and subsequent, directly related, legislative philosophies. Like the Bagley's, Bruce (1973) sketched a close association between the Elizabethan Poor Laws and the development of the welfare state. He described the Act of 1601 as "the culmination of a series of fumbling attempts to deal with the widespread poverty of Tudor times", and stated that the Tudor government confided the operation of its policies to unpaid local officials, justices of the peace and others whose ability to interpret and apply the law impartially was highly susceptible to whim and caprice. The singular achievement of the modern welfare state, according to Bruce, has been to assure equitable treatment of all recipients of various benefits consistent with statutory provisions, without regard to the vagaries of individual administrators.

Bruce made another point which had considerable influence on this

dimension of the study. He stated his agreement with Gladstone's relief recommendations and belief that the Unemployed Workman's Act of 1905 failed because "it hardly affected the type of workman for whom, in periods of unemployment, it was intended, but attracted instead a class of under-employed workers, whose existence had hardly been suspected".

Beveridge (1909, 1942, 1960) wrote extensively on the subject of unemployment and its related aspects. Due to his important roles in both government and academe, and to his 1942 Report on which is based the current version of the national insurance scheme, Beveridge probably exerted greater influence over a longer period of time on the development of the British welfare state than any other single individual. He characterised unemployment insurance as contractual in two senses; it gave the insured legally enforceable rights which did not depend on any other of his resources or status; and second, these rights were contingent on contributions made during periods of work. The effect, according to Beveridge, was that unemployment insurance was perceived by the working man as a fair bargain. It was in his 1909 work that Beveridge wrote the oft-quoted "Workmen today, are men living on a quick-sand, which at any moment may engulf individuals, which at uncertain intervals sinks for months or years below the sea surface altogether".

Cole (1948), although writing during the mid-career period of Beveridge, held the latter's same low opinion of the 1905 Act, but did view it as an important piece of legislation since it gave "the first faint recognition of a public duty towards the unemployed". He made also a strong indictment against the Poor Laws after their revision of 1834: "with its withdrawal of outdoor relief to the

able-bodied and its segregation of sexes in the workhouse, it was the embodiment of that popular 'Malthusianism' which became the scientific cloak for the rich man's fear of his poor neighbour". In this context Cole was amplifying what Rogers (1889) had said much earlier and even more forcefully. In discussing the Poor Laws after 1834, as they affected children of paupers, Rogers stated that "although commendable as a social goal (training children to do useful work), the system became a very real form of child slavery in many instances, with all the attendant abuses by certain masters against children who were, in those times, powerless under the law to seek redress".

Gilbert, B B (1970) traced the development of welfare policy through the relatively halycon years between the two great wars. In discussing the crisis of 1931 and unemployment insurance, Gilbert remarked on the suddenness with which it appeared and the lack of preparation for it by the British Government. In point of fact, neither the British nor American governments had made any viable preparations for the spectacular disaster of those years. At least the British had twenty years of experience in administering unemployment compensation to those eligible, whereas the United States had not yet enacted any similar legislation at all. In this context, Gilbert identified a problem which is still much in evidence today, that of the little difference between what certain unemployed workers' families received in unemployment benefits and the local wage rates when those wage-earners were in work. This is an important point, since it assumes the characteristics of a chronic, enduring problem which has become even more visible after an ensuing forty-five year period during which the legislative philosophy of liberalisation matured and prospered.

Harris (1972), in his thoughtful commentary on the linkage between unemployment and political action, expands on the Cole and Rogers themes concerning the effects of assistance to the unemployed.

"For fifty years after the Poor Law reforms of 1834, unemployment as a serious theoretical and practical question was virtually ignored by English economic theorists and social reformers...It was believed by orthodox economic thinkers that gratuitous assistance to the unemployed would depress the level of wages, discourage labour mobility (which indicates awareness on Harris' part that the "status quo" philosophy had been abandoned), and put a premium on reckless procreation...and since the aggregate 'fund' for wages at any time was inelastic, individual workmen were unemployed simply because they tried to sell their labour at too high a price". Harris offers further evidence as to the views of that era that "public employment and public relief for the unemployed were therefore regarded as both dangerous and futile...lack of employment was seen as either a voluntary condition which workmen incurred wilfully, or as an inevitable occurrence which they (the workmen) should predict and provide for out of their earnings whilst employed".

The combined views of Cole, Gilbert, Rogers and Harris provided valuable insight into the interplay of conflict between employers' staunch maintenance of their traditional stand against coddling the unemployed and the growing insistence by the whole labour force that relief measures be legislated. It was from this base that identifications were made of specific legislative philosophies for which convenient labels were then coined ("status quo", "liberalisation", etc.).

Pollard (1968) provided additional evidence that the force of the

labour bloc was achieving certain of its objectives in the political arena. He mentioned the taxation relief and gratis amenities for public health and cultural education enacted for the benefit of the working classes in the mid-nineteenth century. "At much the same time the vicious bias of the taxation system against the poor was relaxed. As large sections of them were, in effect, exempt from rates, the legislation of 1848-52 which provided for public health measures, public baths, common lodging houses and public libraries, among others, represented almost pure gain which gradually became effective in the following 30 years".

Brown K D (1971) summed up legislative progress in the field of social welfare as of the close of the last century: "By the last decade of the 19th Century many Englishmen had come to accept the need for substantial state intervention in order to tackle the problems of poverty". Brown commented further on the additional progress made during Edward VII's short reign: "The Edwardian era saw a significant change in the attitude of the state toward the unemployed...By 1914 the state had openly admitted its responsibility for legislating for those of its citizens who had no work." The fact that Cole, Pollard and Gilbert had already come to those same conclusions in their writings does not diminish the importance of Brown's statements. They serve to corroborate and reinforce the other authors' contentions, a valuable contribution in such a contentious area.

One draws further from Brown's work in assessing the consolidation of labour's gains during the Edwardian years, often looked upon as a golden period in British history. Indeed, the absence of full-scale wars make them so in comparison with other periods. They were

turbulent, nevertheless, because of sustained conflict and frequent open clashes between partisans of traditional work patterns and the rising political voice of the working classes insisting on a better, more secure way of life. Although the four major trade unions had been formed prior to Edward VII's accession, it was during his reign that they became truly important political forces. The Trade Union Congress (TUC) was formed in 1867, the Social Democratic Federation (SDF) in 1883, Independent Labour Party (ILP) in 1893, and the Labour Representation Committee (LRC) in 1900. The workers' ground swell in championing their rights, begun formally in 1895 when the ILP moved a resolution claiming that "one of the citizen's inalienable rights should be the right to work and to enjoy the fruits of his own labours", came into its own during the first decade of the twentieth century.

Commentary on the translation of these legislative innovations into procedural reality is made only by a few writers. Among that small number, two have contributed materially to an understanding of the arguments for and against the issue of centralized versus decentralized administration.

McConnell (1966) points out that "privacy and freedom may find more secure shelter in the cold impersonality of large, centralized units ...impersonality is the guarantee of individual freedom characteristic of a large unit". In that context, McConnell specified that impersonality means the avoidance of arbitrary official action, the following of prescribed procedure, conformance to established rules, and escape from bias whether for or against any individual.

Gilbert, N (1971), while agreeing essentially with McConnell in the

overall benefits of centralized procedures, takes up the baton for decentralization stating that "community control, self-determination, participatory democracy and local initiative are catch-words that convey the strong feelings vested in the value of decentralization... Local governments are more knowledgeable about problems in their areas, they are more responsive, they function more in line with the consent of the governed..." He added somewhat parenthetically that "...if they (local governments) fail, all is not lost...there is an existential quality about small decentralized units that is appealing". In discussing the disadvantages of decentralization, Gilbert, N, echoes the same theme of McConnell as outlined above.

Florence (1964) made reference to the strengthened voice of labour achieved through unity of its several components in his evaluation of the improved fortunes of the British worker toward the end of the first half of the twentieth century. "In spite of industrial slumps, unemployment insurance smoothed out incomes...In the depression of 1929-1935, for instance, the real total income of the working class in Britain did not measurably fall".

Within the chapter of this study which compares British with American administrative procedures is a discussion of one of the salient differences between the two systems: sources of contribution to unemployment benefit funds. This is a point which has not been addressed in any great length by writers of either country. One conjectures ~~that this~~ point becomes important only through the process of comparison; when viewed solely within the bounds of either nation's legislative arena, it appears to merit no more than passing attention.

In Britain during the three-year period leading up to final passage of the National Insurance Act in December of 1911, its principal planners worked in conformance with three principles around which the parliamentary bill was fashioned; first, the coverage would be narrow in terms of workers eligible for benefits; second, trade union unemployment insurance would be incorporated into the Government plan on bases acceptable to the unions; and third, it would have to be contributory if it were not to be ruinously expensive.

Gilbert, B B (1966) discussed the third of these principles in some detail, emphasising that trade unionists and radicals feared that any employer-only insurance contribution would be added to his wage costs and so would be paid ultimately by the worker. They attempted, therefore, to make the state a third-party contributor, arguing that state costs could be recovered from a reduced "Poor Laws" expenditure. Meanwhile, Government planners asserted that by keeping the insurance contributory at roughly one-third each for employers and employees, that the state would furnish the remaining third. This last was an innovation and the focus of some spirited debate. It is stressed here that only the state contribution was under open debate, the shared employer-employee contribution feature was accepted by the Parliamentary Committee with no more than token discussion except by a faction within the trade union bloc which demurred at the prospect of employee contributions.

Fraser (1975) alluded to this subject: "It was agreed at an early stage to restrict the British scheme to a certain number of trades and to make it contributory, with state support...the main debating point was whether benefits should be withdrawn from men who were

to blame for their own unemployment" (those who quit without good cause). Throughout the build-up of the bill prior to its introduction to Parliament, Beveridge, according to Fraser, insisted that the "principle of proportioning benefits to contributions must clearly be embodied in the bill".

Harris (1977) portrays some of the cloakroom in-fighting which took place just prior to the bill's full-scale Parliamentary consideration which began in May of 1911. Lloyd George considered himself the original proponent of unemployment insurance and openly discounted Churchill's contribution to the plan as a "few rhetorical speeches in Parliament". Harris made the point that unemployment insurance had been ready for legislative action for nearly two years (prior to May 1911) and its administrative structure had been carefully worked out to involve both capital (employers) and labour (employees) in collection of contributions.

As mentioned previously, a faction of the trade unions were not in favour of employee contributions; they felt that the scheme would have an adverse effect on the whole structure of unionism.

Brown, K D (1971) stated further that "Grayson, Hall and other malcontents on the left of the labour alliance were prepared to oppose the Insurance Bill outright...They were also against the contributory principle, the parliamentary correspondent of Justice condemning this proposal as 'mean, petty, and ridiculous'".

Evidence bearing on the contributory principle as a debatable issue indicates that, while there was some controversy surrounding the subject, its importance was greatest with the Labour Party itself. It is perceived by this researcher as a non-problem subject with a

Britain-only context, as an issue which was accepted by employers and employees alike as a shared obligation.

Chisholm and Oeppen (1973) conducted a research study which analysed employment and, more particularly, unemployment from the standpoints of the industries involved and the regional locations of these industries. Although the study is of marginal interest with respect to the four major subjects treated in this dissertation, it does cast light on the incidence of unemployment through a series of tables and graphs which are of some use in the way of economic background data.

Literature dealing with abuse and fraud as well as with attitudes toward unemployment benefits is very limited so far as conventional publications are concerned. The majority of written material on these subjects appear in the form of editorials, articles by investigative reporters and short studies, many of which are published in various press media.

Investigation of holdings in the major libraries of the United Kingdom, and consultation with research personnel of the Confederation of British Industry, the Social Science Research Council and the British Institute of Management confirm that no comparative studies of British and American unemployment benefits have been completed to date nor are any presently proposed which cover the scope of that to which this literature search pertains. As a consequence, what there is of documentation is at once extremely varied and widely scattered since few pieces deal exclusively with either abuse-fraud or attitudes per se.

On the subject of abuse-fraud, McIlroy (1976) comments on the "mounting

public indignation that under the existing system...many workers are better off staying at home. This has led to costly abuses by a minority of 'scroungers'". He pressed this point - referred to in this study as the "Why Work" attitude - with an illustration that "a married man with two children and average outgoings would need to earn more than £75 a week to have a greater spending power than if he were unemployed". McIlroy's purpose in making these comments was to communicate some of the background which led to the Government's decision not to take aggressive action against scroungers in the face of Tory campaigns for benefit reforms which would curtail abuses of the system. He makes a further point that the Government's "own published figures have shown that many unemployed people have more spending power on the dole than if they were back in their same jobs". The Government decision was apparently forced by TUC pressure on the grounds that the result of such action would be to reduce benefits; this in spite of Government protestations that there would be no measures to reduce benefits but merely to end abuses and discourage scroungers.

As if to refute McIlroy's statements, a number of illustrations and other commentary were published at about the same time attesting to the active campaign to prosecute abuse and fraud cases. The Telegraph (1976) published the results of an Old Bailey trial in which four women and a man were sentenced for swindling by means of forged benefit vouchers. Similarly, in the House of Lords, Lord Wells-Pestell (1976) stated that about 1,000 new cases of abuse are being investigated every week and that it was intended to increase the anti-abuse action of the Government. "We have not failed to recognise the seriousness of this problem. There were over 15,000 successful prosecutions in 1975, twice the number in 1970...All

the people who have faith in the national insurance scheme, and the many millions who willingly pay their dues, are deeply resentful when they see these abuses. A bad minority are bringing the scheme into contempt and should be properly dealt with".

A Financial Times (1976) editorial dwells on the same subject to advocate the taxing of benefits in accordance with "the intention of the Beveridge proposals to tax all social security benefits, and it is for administrative reasons only that the proposal was not put into effect". Beveridge is quoted further by this editorial: "...the basic absurdity is of course that people earning no more than the dole are liable to pay tax..." and that "for a number of people legally entitled to benefit, it simply does not pay to go to work". Kennedy (1976) points out that since unemployment benefit is not taxed, "earned income can be worth less in the hands of recipients than State payments of an identical size to those who are not working". He adds another illustration contributing to the "Why Work" attitude with the account of a retail shoe shop director in the West End of London who advertised in the London Evening Standard a salary of £28 per week for school leavers while training in his business, without receiving a single applicant. When he queried the DE as to possible reasons for this lack of interest at a time when unemployment was high, he was told that "after deductions, NHS contribution, presumably some tax, and travelling expenses to and from the job, a school leaver is financially better off on the dole". He concluded his article with this comment: "It is a typical example of how the idealism sought in the 1930's has become utterly ridiculous and grossly abused by a great many people".

Even earlier than the 1976 Financial Times editorial was Howell's (1974)

advocacy of taxing benefits. He asserted that "this nation has an unemployment complex...we are the only western nation where a man can be regularly better off out of work than when he is employed: because we are the only western nation to pay income tax rebates to the unemployed. These, when added to unemployment benefit regularly bring the level of income of the unemployed above their post-tax income when at work...The Department of Employment is aware of this, but has no plans for any such move (taxation of benefits) at the present time".

These and similar articles serve to impart the "flavour" of public and private opinion on the subject of the dole and its effects on motivation toward work on the part of both family men and young school leavers. The body of opinion thus conveyed is virtually the only repository of documentation available from which to distill and label current attitudes toward the system of unemployment benefits.

The analysis and commentary of Worsthorne (1977) were of immense value in gaining insight into some of the current factors which, in both Britain and the United States seem to be eroding traditional dedication to the work ethic. His point is: "for the great body of our fellow citizens, engaged in the industrial process, work offers little mental or physical satisfaction. It is a challenge neither to body nor mind, less so perhaps than at any earlier period...the advance of technology has rendered industrial work uniquely boring...many of the jobs are strictly mechanical, automatic, which reduce human beings to machines". Worsthorne identifies the key problem as "how to get people to work, since in a free society, which deplores coercion, they cannot be forced into the factories at

the point of a gun". He then discusses the various courses of action put forth by the several political parties: Labour handed over the problem to the trade unions; the Conservatives favoured a purely competitive economy - work or starve - not taking into account the neutralising effects of various benefits already established. He interprets Mrs Thatcher's intention as that of encouraging businessmen to be far bolder in standing up to wage demands in return for easing official restraints on private enterprise. Worsthorne prophesied that her solution would "be no more successful than Mr Callaghan, since neither solution goes to the heart of the problem...The problem of work in contemporary Britain will not be solved by relying on the strength of the trade unions or by relying on the strength of capital, but only by restoring the power of the State. And for this purpose, a form of National Government may well be necessary, despite the fact that this entails temporarily foregoing the luxury of our kind of democratic system".

Sleeman (1973) asserts that, in spite of the desirability of reducing the generosity of benefits as a means to encourage a general return to the Protestant Ethic, that the realities of our time point to the fact that "in Britain, as in all the Western World, the Welfare State is here to stay. There may be differences in the way it develops, according to which party is in power: the Conservatives favour more use of the market and more relating of benefits to recipient's means, and the Labour Party favour more use of State services provided communally as of right to all citizens. But it is not for nothing that the social services absorb nearly a quarter of the national product and that, even under the Conservative plans for slowing the rate of growth of public expenditure over the next five years, social service spending is expected to grow much faster

than other forms of government spending". This theme is effective in bringing into the equation what a segment of the public would like to see by way of a rebirth of individual self-reliance and the discernible trends which are much in favour of increased rather than reduced public spending on various kinds of social welfare activities. Despite the fact that Sleeman's work was completed in 1972 (published in 1973), some six years prior to the completion of this comparative study, his predictions for more public welfare spending are borne out by current official data.

The Maki-Spindler (1975) report on the results of their studies on the effect of unemployment compensation on the rate of unemployment in Great Britain is a milestone in objective research and testing of hypotheses in the field of manpower management. Their previous work in 1974 and 1975 prompted a revision of the model (causes of unemployment) to add what they label as "unemployment induced compensation" and is represented as "still a relatively unfamiliar concept in the literature, albeit the possibility of this phenomenon was certainly not unknown to those who designed and maintained unemployment compensation schemes. These two authors conclude that changes in unemployment compensation tend to change the "budget space facing an individual who may be eligible for such payments". Essentially, Maki and Spindler state that such changes will have both income and substitution effects on the labour-leisure decision, and, if leisure is considered a normal good, will tend to lead to an increased consumption of leisure when the ratio of benefits to ordinary work income is increased. Of over-riding interest is their conclusion that "unemployment compensation may induce both employed and unemployed workers to use unemployment time to undertake job search activity as well as more leisure for both of these may be

indistinguishable statistically from 'involuntary unemployment'".

Among the fourteen distinguished contributors to the anthology of Worswick (1976) is Michael J Hill, whose studies concentrated on the means by which voluntary could be distinguished from involuntary unemployment. His analysis and commentary on this subject was of immense value in isolating and labeling certain claimant attitudes toward unemployment benefits. Hill makes clear that his contribution to Worswick is heavily dependent on the results of previous studies reported in a 1973 publication: Men Out of Work. The studies sampled 1,018 men who were registered as unemployed in Newcastle-upon-Tyne, Coventry and the London borough of Hammersmith in October 1971. Hill alludes to the popular theory about voluntary unemployment deterring men from seeking work, and cites a number of anecdotes which appear to support that theory. He concludes, however, that "the main difficulty in testing this theory is that it is almost impossible to refute, since to do so it is necessary to prove that the men in question cannot behave in any other way than the way they do...What is required, therefore, in relation to my hypothesis about voluntary unemployment is a value judgement about the amount of effort individuals should make in order to overcome their disadvantages and handicaps". In speaking about extended unemployment, he states that in recent years such men have become more selective. It may also be true that improved financial provisions for the unemployed have contributed to this. Accordingly, the easiest way to increase labour-market efficiency may be to reduce the extent of support for the unemployed, since the alternatives imply extension of training, rationalisation of employers' selection methods, and perhaps, above all, the elimination of low wages".

Daniel (1974) focused mainly on the quantitative aspects of unemployment with accent on costs. In addition to that he comments on certain other aspects of unemployment. He found that the most common reason for not seeking another job was sickness, injury or disability and was present in the majority of middle age groups, but to a lesser extent among older workers. Within these groups, manual workers were much more likely than the non-manual to have given up working for this reason, with men much more likely to have done so than women. The second most common reason was family or domestic factors - particularly the case among younger workers, more women than men. Daniel found refutation for what certain other writers allege to be true with unemployed persons, to wit, that serious personality disorders arise out of unemployment. Daniel found just the opposite to be true, that "overall those who had dropped out of the labour market were inclined to be content with their lot. Asked if on balance they would prefer to be back in their old jobs or if they preferred things as they were, 54 per cent said they preferred their current status, 23 per cent said they would prefer to be back in their old jobs and 23 per cent had mixed feelings". Daniel's overall conclusion admits that "our findings on the costs of unemployment, however, showed that the provision of financial benefits alone would be unlikely to remove all the hardship of unemployment for many experience social and psychological costs, such as boredom, listlessness, depression, sense of inadequacy and failure, and social isolation...public policy assumes that a margin of financial deprivation is necessary to maintain the economic motivation to work...Nevertheless, if that policy is to be equitable it should at least ensure that all categories suffer a similar degree of deprivation, and there remains room for choice as to the form in which the benefits are best paid in order to serve their

often conflicting objectives". This pronouncement as it relates to assuring that all categories suffer a similar degree of deprivation appears to this researcher as the ultimate in a fatuous statement. On the face of it, there is no way that such assurance could be contrived given the multifarious occupations represented within the unemployed population, and the varying life-styles among those persons who earn about the same in terms of net buying power. In any otherwise valuable work, Daniel significantly diluted the seriousness of appeal by advocating an impossible device.

Phillips and Maddock (1973) shed some light on progressive liberalisation of benefits, particularly during the years immediately following World War II. This was of great value in identifying the continuing thread of great public generosity and understanding toward the unemployed, a hallmark of today's official position to assure adequate income support to the unemployed. Specifically, "...even if the governments of the inter-war years lacked a conscious pre-occupation with growth, they already clearly admitted a responsibility for the broader, more ill-defined subject of 'welfare'. In practice this meant that whilst they continued to be inhibited in their activities by a prevailing economic orthodoxy which was hostile to state intervention, nevertheless they were confronted by certain social problems like mass unemployment which they felt an obligation to alleviate".

Brittan and Lilley (1977) address this same subject somewhat left-handedly in referring to the proliferation of incomes policies: "Britain's poor relative economic performance since the war has long disappointed chauvinist economic commentators. But they can take pride in the one area of economic performance where Britain has topped

the international league tables - its output of incomes policies. No other country can match the number, diversity and increasing sophistication of Britain's incomes policies. They have been introduced by both parties: voluntary and compulsory, temporary and semi-permanent varieties have been tried...in much the same way as the quest for the Holy Grail recurs throughout the Arthurian legends". They characterise this trend of precipitate growth of benefits legislation as "the appetite grows with eating". This team of authors is adversely critical of incomes policy, and charge that "far from being a proud and statesmanlike achievement, an incomes policy is a most harmful trap. It does not cure inflation; it makes unemployment worse; it does not curb but increases the political power of trade unions".

In essence, Brittan and Lilley present a side of the coin which, in its prime sense, is the antithesis of liberalisation of benefits, a useful contrast to the usual stance.

Part 2 (American Authors)

Long before the first faint beginnings of significant manpower planning by the United States federal government in 1921-22, useful examples of experience in that field were readily available from certain European countries. Such examples, and the data from them, yielded valuable resource bases for the American legislators and social scientists interests in drafting specific bills for introduction into the legislative hopper toward the goal of providing some sort of guaranteed, funded relief for unemployed Americans.

The Bureau of Labor Statistics (1931) completed a study of private unemployment compensation plans in effect in the United States and compared them with various national unemployment insurance systems in Europe. The Study was published under the title: "Unemployment Benefit Plans in the United States and Unemployment Insurance in Foreign Countries." Within this work, the British system received a major emphasis, and effectively set the stage for the more intensive studies preceding enactment of the first social security-unemployment insurance legislation in the United States. The German system, particularly the periodic changes made during the stormy period of inflation-cum-unemployment in 1923, 1927, and 1929-33 also received attention in the Study. Both the British and German systems provided much food for thought and structural analysis from which certain features surfaced as considerations for similar American legislation.

Of importance in this same connection was the experience acquired over previous years through American trade union programmes, employer-employee joint agreements and other private plans which involved

specific company-wide arrangements. By and large, such plans were on the informal side, with workers who were prospective beneficiaries having no legal "hold" on the company or the union. Benefit payments depended upon maintenance of union membership, economic prosperity and good management of union funds. Unfortunately, such a healthy combination was not always present in the administration of these unemployment benefit plans.

Haber (1966) researched and discussed representative private unemployment insurance plans which, in retrospect, appeared to have exerted some influence on the nature of the 1935 national legislation.

It is interesting that the most progressive industries with respect to providing relief to employees during times of their unemployment were the needle trades and the engravers. In fact, joint agreement plans wherein both employer and employee, or one of them only, paid into the fund became a characteristics format in those industries as early as the 1920's. Haber relates further that company plans sponsored by individual enterprises for their employees only, without regard to their union affiliation, were in evidence before active American entry into World War I. By 1915, some 15 such plans were known, including the "Rochester Plan" to which 14 separate firms subscribed, accounting for upward of 80,000 workers covered. The plans of Procter and Gamble, International Harvester, J I Case and General Electric aimed primarily at guarantees of employment for a set number of weeks per year. In the case of Procter and Gamble, the guarantee was for 48 weeks per year at full pay for "hourly paid employees whose annual earnings were less than \$2,000, who were participants in the company's profit-sharing plan, and who had six months in service". In the face of the widespread private plans, whether company or union-sponsored, it seems strange indeed

that US national legislation on unemployment insurance had to wait for enactment until prodded into fruition by the Great Depression of 1929.

Raushenbush (1931) points to Wisconsin as the pioneer state in exploration of and serious legislative concern with unemployment insurance on a state-wide basis. State Senator Huber (Wisconsin) introduced this bill into the Wisconsin legislature on February 4, 1921, the substance of which had been drafted by Professor John R Commons of the University of Wisconsin. This bill was revolutionary in that payments into the benefit fund were to be made by employers only, based on individual employer experience with employee turnover. This meant that the entire cost of benefits to unemployed workers was to be funded by payroll taxes on employers and that the operation of the benefit fund was controlled by the Wisconsin State Compensation Insurance Board. The Huber bill failed of passage in 1921 and during succeeding years as well. Yet, the philosophy and procedures it contained prevailed until, finally, in 1932, the Wisconsin legislature passed it by an overwhelming majority - during the depths of the Depression. Still, this was fully 3 years before any such definitive move was made by the US Congress. Raushenbush, on his retirement as Director of the Unemployment Compensation Department of the Wisconsin Industrial Commission from 1934 to 1967, reviewed the Wisconsin experience. He paid special attention to the infighting which took place between opposing factions of the Wisconsin legislature prior to the eventual 1932 enactment of the unemployment insurance bill. Some 3 years of effort and discussion preceded the enactment. One faction argued that a compulsory unemployment insurance law was not of an emergency nature and thus should not be considered. This appears a startling rationale in light of the

breadlines and soup kitchens which were steadily proliferating in Wisconsin as well as elsewhere all over the nation during that period. Employers formed a bloc and exerted influence on state representatives to kill the bill. For example, in 1931, the Wisconsin Manufacturers' Association voted 207 to 2 in favour of side-tracking presentation of the bill to the Wisconsin legislature. Governor LeFollette, a staunch proponent of the legislation, stepped into the picture with a tactic which partly disarmed the opposition. He agreed to give employers their chance by urging that the legislation become conditional upon industry's failure to establish a fair voluntary system in Wisconsin within a reasonable time. In this way, the employers were faced with a requirement to voluntarily establish a plan in their respective firms which would compensate workers during involuntary layoffs in order to prevent the law from taking general effect. In either case, unemployment insurance was to be the final outcome whether at the behest of individual employers or imposed upon them by state fiat.

Altmeyer (1967) reviewed the operation of the whole system from a national point of view at about the same time as Raushenbush, and under similar circumstances, on his retirement as Assistant Secretary of Labor and in other positions during an 18-year period ending in 1953. His review concentrated on ways the system could be improved. He concluded that the surest promise of overall improvement would be realized "under a nationwide system of unemployment insurance administered by dedicated and competent men and women". He concluded that federal standards for benefits, maximum duration of benefit payments, and unemployment taxes levied on total payroll would offer the greatest promise of improvement. In sum, he proposed a nationwide system much like that in operation in the United Kingdom

since 1911. The philosophy of "state sovereignty", however, has proved strong enough up to this time to deny serious consideration of a national system.

A trio of writers in the field of unemployment insurance research and manpower policy merit special attention because of books and articles they produced singly and in mutual collaboration over a number of years. The sum of these works provides greater insight to events and conditions leading to the 1935 legislation, and to the subsequent changes in public acceptance of legislation offering progressively more generous benefits to the unemployed.

E Wight Bakke (1930) probably is the best-known of this trio. His works in the early 1930's stand as anchor points in the literature of the field. The first of these, After the Shutdown (1932), interpreted the directions of United States manpower policy up to that time with respect to employment, unemployment, cost of living, wages and productivity. The second work, Ten Thousand Out of Work (1933) expanded in greater depth on its predecessor's coverage. Bakke followed these two books with many articles and addresses on these same subjects during the ensuing 30 years of government service. Among these, his essay "The Mission of Manpower Policy" (1969) has as its central theme that while the focus upon the disadvantaged worker had been an essential feature of manpower policy, it fell far short of constituting the whole of that policy. He set forth the larger dimensions of a comprehensive manpower policy.

Clague (1976) and Leo Kramer, the other members of the Bakke trio, updated Bakke's work in their Manpower Policies and Programs. All

three had been closely associated in previous years, principally while Bakke was a graduate student and Clague was serving as Commissioner of Labour Statistics from 1946-65. Clague and Kramer placed Bakke's work in the historical context of manpower policies that reach back to the Great Depression of the 1930's and the immediate post-World War II years. The result was a portrayal of four decades of manpower policy in terms of the issues to which the policy had been addressed. Of special note in this connection was the contrast drawn by Clague-Kramer between the bitter unemployment of the 1930's and the nearly "full employment" of the 1940's. They brought out the view that the latter condition had made an indelible impression on the American public mind, and that the high employment of the 40's tended to confirm the idea that the battle of unemployment had been won; there remained only a few improvements to make the whole pattern perfect. These two writers went on to conclude that, by 1961, the Kennedy-Johnson Administrations had barely made a beginning in tackling the manpower problems of the nation. Unemployment averaged about 4 million annually through the years 1962-64 and all the federally sponsored manpower programmes put together touched only 100,000 workers per year. Of more current note is the Clague-Kramer view of the 11 years preceding 1975. During that period, manpower policies focused on up-grading the disadvantaged unemployed through education, training and work experience. With the decline of the economy in the 1970's, greater emphasis was placed on public service employment. However, in 1975, with unemployment rates of 8 and 9 percent, opportunities for placing programme enrollees in either private or public service employment almost vanished. Private industry, now slowly absorbing some of its previous layoffs, was able to provide only a small number of new job opportunities. They concluded that whenever

the economy improves enough to increase employment significantly, private industry's priority in hiring will go to former employees, especially those drawing unemployment insurance benefits, who are entitled to recall as jobs develop. Thus, disadvantaged persons and youths with limited working experience, as well as the long-term unemployed, will continue to have difficulty in finding employment.

The thrust of these views is to place continuing importance on the extension of benefit payments to periods beyond the capability of state funds to support them, with the consequent syphoning off of federal funds - to shore up state insolvency - programmed for other purposes. The influence of these works on the legislative philosophies segment of this study was of major proportion, since they provided a global dimension to not only specific events but to the immediate and foreseeable consequences of forward strides and faltering steps in the legislative arena.

Levine (1972) in commenting on this general subject, alleged there were signs of changing viewpoints toward unemployment benefits on the part of management in the private sector, a sector which usually has not been sympathetic toward enlarged responsibilities under public auspices. Levine stated that until 1970 industry attitudes toward income maintenance of unemployed persons were largely coloured by cost considerations and concern about preserving low unemployment insurance tax rates. He believes that, at about that time - early 70's - socially minded business leaders began to see overall manpower goals in a more positive and attractive light, and became more easily persuaded to support an enlarged role for unemployment insurance in the nation's economic life. One of the advantages traditionally cited in favour of the federal-state system

of unemployment insurance over a solely national system is the opportunity for experimentation on a limited scale. Collaterally, the same system makes it possible for states to proceed with their own innovations without having to depend on national legislation. This, according to Levine, is the type of experimentation which Massachusetts and Michigan carried on in permitting unemployment benefits to continue for 18 weeks beyond the usual maximum duration if the recipient was attending an industrial retraining or vocational training course.

Becker (1960) provides valuable background in the subject in his review of the American unemployment insurance experience over the period of its first twenty-five years, comparing its origins with the German and other European systems. He comments with a certain acerbity on the laggard pace with which the USA pursued social security legislation in general, and points out that unemployment insurance, as one part of the 1935 package, came within a hair of being declared unconstitutional. Becker makes other statements indicating the less favoured position of unemployment benefits in the social security system while referring to the exclusion of able-bodied unemployed from benefits. Becker postulates that unemployment insurance is less popular because "it stands lower in society's list of priorities than many other needs." Sympathy rises more easily and naturally in a case of the widowed mother, the orphaned child, the sick or aged, and even for the workman injured at his job." He states also that unemployment insurance provides an excellent example of the American preference for what might be called "competitive collectivism". Becker explains this term by referring to the "existence of separate state systems and the use of the tax technique called 'experience rating'". The

combination of these two features, according to Becker, constitutes competitive collective action. Experience rating represents a reward to an employer who achieves a stable workforce, in that his payroll tax is lowered. Separate state systems amount to a type of competition among the states in the attraction of prospective employers to do business in that state having the lowest tax base, and the lowest cost unemployment benefits toward which employers must pay taxes.

Moving to literature which addresses procedures, most of it is generated by state governments, and explains organization of the state administrative network; means by which claims are filed, processed and paid. Federally-sponsored literature is concerned primarily with informing state administrations of amendments to the basic unemployment insurance law, and with analysis and publication of statistical data compiled on a national level from each state's input. Certain writers have contributed to this literature through studies of specific elements within the system. Compared to the commentary available on fraud-abuse and attitudes, however, the field of procedure-related literature is quite arid.

Murray (1973) studied the problem of duration of benefits relative to duration of unemployment, emphasising the gradual extension of benefits during the recession periods. He made the point that duration of benefits was severely restricted at the beginning of the unemployment insurance programme by "overcautious actuarial estimates" as to how long benefits could be paid with the unemployment tax allocated for the purpose. Murray concluded: "extended benefits should continue to be paid when unemployment is high either in a state or nationwide, as specified by state or federal triggers

equal to 50 percent of entitlement to regular state benefits, up to a maximum of 13 additional weeks, with an overall maximum of 39 weeks". In fact, the 39-week figure was increased and extended to a maximum of 65 weeks by a combination of state and federal-funded extensions starting in 1974. By 1978 certain states' unemployment rates had begun to recede below the point where extensions were automatic, and duration was once again at the 26-week mark. Murray stated that the first 26 weeks of regular benefits should be 100 percent state financed, while extended benefits should be 50 percent federal financed. He emphasised that comprehensive statistics on extended benefits, including the characteristics of the recipients of such benefits should be obtained and analysed, along with special studies of post-exhaustion experience of claimants for both regular and extended benefits. This conclusion was translated into practice by the federal government in 1974, and is currently (1978) being implemented in principle.

The primary procedural issues focus on funding, as Murray's study suggests. During the recent U.S. recession, the unemployment rate rose as high as 8.9 percent (May 1975), with 8.5 million workers unemployed. Since then the economy has experienced a gradual recovery, with the unemployment rate fluctuating only slightly at the 6.1% level, as of April 1978. The high unemployment rates and the concomitant levels of unemployment compensation claims have put a great strain on the administrative apparatuses of both the unemployment insurance services in each state and on the employment - job finding - services at state and federal levels.

The Congressional Budget Office (1977) made a general assessment of major elements of the unemployment benefits procedures, with major

concentration on the dollar aspects. Unemployment compensation benefits, according to its summary, replace, on average, between 50 and 60 percent of a worker's after-tax income. However, this result does not take into account the effects of fringe benefits or work-related expenses on this net wage replacement rate, nor does it include other income assistance such as food stamps, which the unemployed may receive. The gross amount of payments nationwide, due to proliferation of programmes and extension/expansion of benefit payments jumped from \$6 billion in 1974 to \$14 billion in 1975 to over \$19 billion in 1976. Estimates of overall expenditures for benefit payments approach \$25 billion in 1977 and 1978 (each year). The result becomes significant when compared to the funds generated through payroll taxes (largely from employer contributions), the total sum of which in 1976 was some \$8 billion - a deficit of \$11 billion (\$19 billion expended) which was made up from the federal treasury through loans to states.

The extent of the deficit problem for states obliged to borrow from the federal government in order to finance continued unemployment benefit payments can be appreciated by the total amount of outstanding advances to state trust funds, a figure in excess of \$2 billion as of May 1978. Some 22 states have been recipient to such loans, notably Connecticut (\$276.2 million), Illinois (\$146.8 million), Massachusetts (\$180 million), Michigan (\$388 million), New Jersey (\$404.3 million) and Washington (\$107.6 million).

Weighted against stature of the more impressive totals mentioned above, Hawaii's case - as an illustration of the procedural complexities attending funding - appears minor. Yet its importance must be judged relative to the state tax base, equally minor

relative to the states whose loans number in the hundreds of millions. Hawaii's workforce is 394,000 of a total state population of 850,000 permanent residents. Hawaii offers an example of the types of remedy which state legislatures examine in order to re-establish healthy funding of unemployment benefits.

Hawaii's fund went into deficit in 1975, and in 1976 the state was obliged to borrow \$22.5 million from the federal government to keep payments afloat to eligible unemployed. The Hawaii Legislature responded by levying each employer with a standard 3.5% payroll tax and suspending "experience rating" procedures which lower taxes for employers who achieve stability of employment within their workforce. By late 1977, the Unemployment Insurance Trust Fund was again in the black. The question then became one of how to prevent a repeat of the same type of financial woe in the future.

Two plans were advanced to the Legislature: the Hitch Plan and the Mayeda Plan. Dr Thomas K Hitch (1978) Senior Vice President for Economic Research, First Hawaiian Bank proposed a "Benefit Ratio" plan designed to raise enough money to pay unemployment benefits but not so much that cash reserves in excess of \$50 million were built up. The rationale of the plan: an employer's money should not be tied up in the fund when it could be put to better use in his business. To achieve that balance, Hitch recommended use of the benefit ratio - an expression of total benefits charged an employer's account divided by that employer's taxable payroll for the period of the three years just ended. Under that economic principle, Hitch maintained, only three years of an employer's history of layoffs are considered, so that although a good long-

term employment stability record is not necessarily assured a low tax, neither is he punished for a bad stability record during the same period.

The Mayeda plan, developed by Thomas Mayeda (1978), head administrator of the state's Unemployment Insurance Trust Fund, guards against dramatic yearly changes in employers' yearly contributions to the Trust Fund. For example, an employer who had a bad year and laid off a sizeable number of employees who then drew unemployment benefits would not have his payroll taxes climb the following year. Rather, the jump in benefits would be spread out over a long period. No employer would pay more than a 5% tax; those in business less than one year would pay a flat 3%. Each employer has an account, determined by subtracting the amount paid out in unemployment insurance benefits from the employer's total contributions to the fund. To determine an employer's reserve ratio, the balance (reserve) is divided by his average annual taxable payroll averaged over three years. Each reserve ratio is matched to one of 13 predetermined contribution rates ranging from zero for employers whose ratio is 15% or more, to 5% for those with a negative balance. Until the fund reaches an "adequate" level, employers would pay a "fund solvency" tax ranging from 0.4% to 2.4%. This plan does not contain a "forgiveness" factor (as does the Hitch plan). As to that criticism, Mayeda replied that "Maybe you can forgive one employer for a bad year or two, but somebody has to pay for that bad year. It doesn't just disappear, you know. So what ends up happening is the rest (of Hawaii's 18,000 employers) shoulder the burden from which the responsible employer has been relieved".

A procedural issue of major importance, and the subject of periodic

controversy, is that of "experience rating". Many authors have commented on this issue, notably among them Haber (1966) and Becker (1972).

Haber reviewed the legislative debate which ultimately led to inclusion of experience rating in the 1935 Act, but not before much acrimony had been endured by the committee members charged with the final drafting of the bill. Becker (1972), having commented on this subject in several of his previous works, devoted the whole of the cited volume to it. He explained the rating as a system of levying unemployment insurance tax "in some relation to the individual employer's experience with unemployment". Essentially, this translates into a reward in the form of a lower per capita tax on employee earnings to employers who have achieved stability in their workforce - no significant layoffs and rehires - but a steady, uninterrupted level of employment throughout the year. Becker concluded that the effects of experience rating are significant and desirable, and that it strengthens the market mentality. In the latter sense, Becker stated that it conforms to and confirms a system which makes each state responsible for its own costs, which draws its revenues almost entirely from a tax on covered employers, which restricts benefits to those employees whose employers are required to make contributions, and which proportions those benefits to each claimant's wages. He makes a final statement "It is quite possible that experience rating is something like a cement that holds this entire structure together, and chiefly for this reason is supported or opposed by friends or foes."

The subject of unemployment benefit fraud and abuse is not distinguished by a wealth of literature. That which does exist is found mainly in

periodicals and in the press. Some authors, however, the greater number of whom have been or are currently associated with the Upjohn Institute for Employment Research, have devoted some parts of their work to fraud and abuse incidence. In addition, short studies and compilations of statistics with explanatory commentary have been made by labor departments of certain states, and by the U.S. Department of Labor.

This latter agency, the U.S. Department of Labor (1977), published a short review of fraud and abuse in the federal-state unemployment insurance system containing valuable background information drawn from representative state systems. One point made in this review is that there are differing views as to who should receive jobless benefit protection, eligibility standards, and what constitutes a disqualifying act. The answers to these and other related questions depend primarily on which state law governs and how it is interpreted and applied. Basic to the issue is that an individual cannot be charged with abusing the programme *if* benefits are properly paid pursuant to the (state) law that governs the case. This points up what is stressed in many references to the American federal-state relationship governing administration of unemployment compensation. The federal review makes a second point: that a fraudulent claim for benefits is a crime, usually classed as a misdemeanour and punished under applicable criminal law according to individual state statutes. Of significance is the upward push in the total amount of fraudulent payments throughout the USA from \$17.7 million in 1974 to \$22.5 million in 1975 to \$31.9 million in 1976. During these same years these Department of Labor data show that both the number of prosecutions recommended and the number of convictions as a percent of prosecutions recommended have declined. This suggests

that at the same time that more generous payments have become the rule, stress on detection and prosecution of fraud has become less aggressive. One postulates that fraud thus becomes easier to perpetrate when the threat of punishment is less of a deterrent.

Papier (1977) wrote a comprehensive paper on unemployment benefit fraud in the state of Ohio, covering in detail the means by which fraud allegations are investigated. Ohio is very aggressive in its detection and prosecution programme, maintaining at state level an Investigation Department of 45 full-time employees. This Department "endeavours to uncover and investigate all cases of suspected fraud, prepares fraud charges against individual claimants, collects benefits fraudulently received, and prepares cases for prosecution." Based on his Department's experience, Papier makes the point that fraud appears to be contagious. "Where several or more claimants with the same employer are detected as involved in possible fraud, a Bureau (Ohio Bureau of Employment Services of which the Investigation Department is one element) investigator will check the employer's records against claims filed by others of his employees. Additional fraud may then be found." He concludes further that the number of potential cases of fraud is affected by the total volume of beneficiaries. "Over the past quarter-century through 1975, fraud charges were developed in Ohio with respect to one out of every 100 beneficiaries. Of the 64,915 fraud charges developed, prosecution was recommended for one out of ten cases. Ninety-six percent of the prosecuted cases resulted in convictions. Publicity concerning prosecutions often leads to tips on additional suspects."

McMahon (1978) reinforces Papier's assertion that an aggressive fraud and prosecution policy is necessary to control increasing attempts to subvert the system's intent. In a paper titled "Benefit Payment Controls" McMahon emphasised the necessity for co-ordination of effort and co-operation among the local (Unemployment benefit) offices, the central office (at New York state government level), and the Investigation Section if the stated goal of the Department (New York Department of Labor) is to be achieved. "Local office personnel are the first line of defence in fraud control". The New York fraud control policy is stated by McMahon as: "It is the Department's policy to take aggressive action to prevent, discourage and discover the occurrence of fraud by claimants, employers or Department employees. All suspected cases of fraud are followed through to conclusion by full investigation, imposition of the legal penalties including prosecution when justified, and publication of convictions obtained."

Nation's Business (March 1977) quotes U.S. Department of Labor statistics of 103,307 reported cases of minor fraud nationwide in fiscal 1976. In addition, there were 9,952 cases of criminal fraud turned over for prosecution. This compares with 81,130 cases of minor fraud and 10,397 cases of criminal fraud in the previous fiscal year. Further comparisons are made in the wide variance among state-administered programmes, with benefits ranging from as high as \$165 per week in Connecticut to as low as \$63 per week in Texas. Some states, it seems, vigorously see to it that claimants conscientiously seek work while they collect benefits, while other states simply pay the benefits with few questions asked. When Congress set up unemployment compensation, it envisioned a programme of short-term relief running no longer than 12 to 16 weeks. By 1953, according to

Nation's Business, most states had extended the benefit period to a maximum of 26 weeks. This, in turn, was increased to 39 weeks, then 52 weeks, and finally to 65 weeks - all with federal subsidy. The ability of the states to detect fraudulent claims was severely set back in October 1975, when the Health, Education, and Welfare Department (HEW) halted the states' practice of matching claims against Social Security deductions filed by employers. HEW held that this violated provisions of federal privacy laws. The Department of Labor is still seeking to lift the ban. Nation's Business deplores the necessity for circumventing devices which 39 states have used to get around the HEW barrier in an effort to detect and prevent fraudulent benefit payments being made. These states have called in wage records from employers - which is a legal requirement - in order to match John or Jane Doe's unemployment benefit claim with the same name on an employer's list. The problem for the administrators is one of finding and closing legal "loopholes". As related in this editorial, a computer-programmer employee of the Louisiana state unemployment benefits system stated: "There are a million loopholes, but most people are not smart enough to find them. Unemployment compensation creates a sort of utopia. It lets people work for a year and be on vacation for a year. Of course, you can't live like a king, but it gives you a chance to travel around, and that's the American dream." The editorial urges employers to actively police the fraudulent claims made against their accounts by former employees and contest the payment at every turn of the road. "To employers, this is your programme. It can only operate successfully if you actively co-operate with your state officials by reporting abuses to them."

On the same general theme, Business Week (January 17, 1977) contains a lengthy staff study on the whole spectrum of "welfare" in the United States, one related element of which is unemployment compensation. The sense of the piece is an indictment of the overall system on the following counts: painful load on the taxpayers, especially the employers in the sense that they pay the full cost of unemployment insurance; the system is wasteful and inefficient, "a happy hunting ground for chiselers and cheats." It does pay tribute to the efforts of the HEW for having brought the error rate down, but castigates it once again in alleging that "more than 40% of the cases involved overpayments, underpayments, or payments to ineligible."

Tomlinson (1975) calls for responsible citizens to bring to an end the unemployment compensation "rip-off" which, he alleges, characterises operation of the current system. "If the unemployment compensation programme is to be preserved to help deserving jobless, responsible citizens must counter the influence of self-serving pressure groups and bureaucrats to see that its excesses and abuses are brought to an end. Write the President and your Congressman or state officials today."

These three preceding listings all point up the concern for the lack of legal controls which contribute to fraud and abuse of the various state systems, and where legal controls do exist the lack of pains taken to actually exercise them. None of these writers appear to seek withholding aid from workers who lose their jobs through no fault of their own, and are willing and able to work. These writers do, however, represent the current system's operation as one of legal "rip-off".

Turning now to attitude-oriented literature, a number of writers have devoted comment to the adverse light in which the unemployment benefits system is held by the general public, especially by employers who foot the cost. Commentary applies to various aspects of the system, to include, cost, abuse and fraud, the ability of administrators to crack down on fraudulent claims and the linkage between generous benefits and the incentive to return to work.

Blaustein (1968) drew attention to the adverse attitudes toward galloping costs of funding the system. He commented that, unlike welfare, unemployment insurance has concerned itself with the avoidance of poverty rather than its alleviation. He viewed its prime function as prevention of impoverishment of the normally employed worker and his family during periods of temporary, involuntary unemployment. Blaustein made the assumption that relatively few of the insured unemployed are destitute at the time of job separation but that most of them would be if unemployment continued for long without some outside (unemployment insurance) support.

One of the foremost American authors and thinkers on the subject of attitudes toward unemployment benefits is Leonard P Adams. Two of Adams' works are of special significance with respect to consideration of attitudes within the purview of this study. Adams (1969) made a comprehensive study of the transition period of the public employment service between 1933 and 1968, in which the public attitudes toward the work ethic during the peak depression years and just before World War II were examined. He concluded that the work ethic had been severely challenged by the Roosevelt administration's policy of make-work projects for which otherwise unemployed persons were paid according to dubious quality and quantity standards,

standards which never would have been considered adequate under normal economic circumstances. One consequence of what he perceived as lowered work requirements was a growing tendency to work only so long as was necessary to establish eligibility for government-sponsored subsidies, and then abandon efforts to find long-term work in favour of reliance on the subsidies, one of which was unemployment insurance. Adams suggests that the seeds of work-shy attitudes were sown during that period.

Adams (1971) stated as the purpose of his work "to review the evidence with respect to the attitudes and opinions of various segments of the population on the unemployment insurance (UI) system as these views have evolved over the last 35 years." In this work, Adams outlined what he termed "the most common misconceptions that administrators believed to be held by different publics," namely employers, workers, and the general public. He concluded that some employers think that the balance in the reserve fund belongs to them, and that their contributions are not a tax; that UI is a give-way programme without any checks on availability and other eligibility requirements; that the administration favours the claimants to such a degree that it is useless for them (the employers) to report disqualifying information or to file protests in any circumstances; that claimants should be made to take any kind of work or be denied benefits; that none of the claimants want to work. Yet no specific studies were reported by Adams with respect to employer attitudes and opinions except for a survey in Ohio and in Connecticut. Adams stated that "a majority of the states" administrators seemed to realise that employers do not understand the programme very well, and they therefore mentioned the constant need for (employer) education to counter "a reflection

of indifference, failure to comprehend how the programme works, and lack of time to give it much thought or attention."

Adams mentioned also some of the common misconceptions on the part of workers-potential or former claimants. Some confuse UI with Social Security and think that they have also contributed to the UI reserve fund; that benefits should be paid when they apply regardless of whether or not they satisfy all the eligibility requirements and irrespective of the causes of their unemployment; that UI is welfare and therefore they do not apply (note: this suggests that "stigma" remains in some elements of the workforce as it attaches to government give-away programmes; that once they have filed an application for work with the (U.S. or state, or both) Employment Service, they do not have to make a search for jobs on their own initiative). Adams found too that UI is often confused with welfare by the general public, and that a stigma is, in fact, attached to acceptance of benefits which are considered "rocking-chair money"; that unemployed workers can usually find jobs if they really want to work and that claimants are "people who have no real desire to work."

Feldstein (1975) favours taxing unemployment benefits as though they were regular income, but stops short of saying that such benefits are too generous. He does say that the size of the benefits "makes people fussier about the jobs that they take, and it makes them look longer for jobs." Feldstein's view is supported by a Brookings Institution study which found that people on jobless pay remain unemployed as much as 31 percent longer than those unemployed people who choose not to collect insurance while seeking work.

Leshner (1976) states that \$35 billion in the period 1973-1975 has been paid out under unemployment benefits nationwide, the lion's share of which came from employers. As others have done, he points to the fact that twenty-two states ran out of money and had to borrow from the federal government in order to keep unemployment benefits flowing. Even the federal government's special fund for this purpose was exhausted at one point, and general revenues had to be authorised to finance the states.

Certain administrators of various state-level unemployment benefits systems agree that the original concept of the unemployment benefits programme has been fragmented for too many other purposes. "Frankly, the Congress and the nation have asked the system to be the major anti-recession programme, when it was never designed nor intended to be such", according to John D Crosier (1977) Director of the Massachusetts Division of Employment Security. Barrett (1977) of Montana believes that the unemployed person has ceased to be the responsibility of the employer community and has become the responsibility of society in general after 39 weeks of unemployment. After that time, some other social programmes should be designed to care for the long-term unemployed, not because their needs are any less, but because their needs should be answered from other sources. Barrett concludes that if changes in this direction do not occur, the unemployment insurance system which started out to assist those with direct attachments to the labour force, will eventually become less of a work-related system and more of an income maintenance or welfare system. He stated that the workers or employers do not want that to happen and, as an administrator, Barrett believes it would be tragedy.

CHAPTER 3

COMPARISON OF BRITISH AND AMERICAN LEGISLATIVE PHILOSOPHIESIntroduction

The title "Legislative Philosophies" as used herein combines two terms embracing the series of governmental enactments in the United Kingdom and in the United States resulting from progressive change in each nation's major philosophies (system of ideas) on public assistance to the unemployed. In both countries such philosophies have become more insistent over the years that legislative buffers be interposed between the individual and the adverse effects of unemployment in order that his basic needs can be satisfied and his dignity be maintained during periods when income from work is cut off. Satisfaction of such aims gradually became accepted as a normal issue for legislative debate; over a period of time such debate has led to steady increases in numbers and categories of workers eligible, and in the amount of benefits to which they are entitled while unemployed.

This chapter compares the legislative philosophies of the United Kingdom with those of the United States. This researcher has adopted the point of view that philosophy does not precede societal conditions, but rather emerges from them. Accordingly, a certain amount of social history must be woven into the fabric of these comparisons to assure an appreciation of conditions from which philosophies emanated. Neither coherent philosophies nor related legislation in either nation suddenly jumped, full-grown into

into national consciousness. The systems of ideas which may at some later point lead to legislative action are products of varying lengths of time, among which the only uniformity is probably the lag of legislative response.

For convenience of treatment, this chapter is divided into three time periods, each of which discusses emergence or mutation of philosophies on the focal subject of unemployment benefits.

- a. Early Period (mid-1300's-1911): inchoate British philosophies of relief to the poor, with special reference to the unemployed; comparison with American adaptations of imported British philosophies.
- b. Middle Period (1911-1935): definitive British translation of philosophies into comprehensive legislation: National Insurance Act of 1911: comparison with American philosophies reflecting an awakening of public interest in unemployment and other welfare benefits.
- c. Current Period (1935-present): influence of Beveridge on British philosophy and legislation: USA Social Security Act of 1935: comparisons of contemporary philosophies and related legislation in Britain and USA.

No one of these periods is discrete unto itself. The interdependent relationship among them is revealed through changing social and industrial patterns, particularly with respect to the burgeoning incentive in both countries to improve living standards and the general quality of life.

Note that there is much heavier dependence on the British experience

over the American in the coverage of the Early Period. This is due to the enormous time gap between the first signs of British national concern with the subject and United States' entry into that field some 600 years later. It is during the Middle Period that the USA gradually developed a better equation with Britain in terms of interest and activity in unemployment benefits at individual state and finally at the national level.

EARLY PERIOD (Mid-1300's-1911)

Emergence of the "Status Quo" Philosophy in Britain

Acceptance by the British government of a measure of responsibility for relief of want among its poor generally is thought to date from the time of the Elizabethan Poor Laws (1598-1601). Yet, there were fore-runners of those laws some two hundred years before. Essentially punitive in thrust, these fourteenth century laws were reflections of a "status quo" philosophy that workers should remain in place, prevented from migrating from their home locales. That they sought to migrate was the result of the combined effects of two conditions, one social, the other economic.

The social condition arose from the devastation caused by the "black death" which struck large areas of Britain in 1348. The death toll was so heavy that in some of the most severely affected regions, no longer were there enough workers to till the land or tend cattle adequately. The sudden loss of manpower prompted landowners to attract replacement workers from other areas by offering them premium wages. During the same period, there was a dramatic rise in the demand

for wool which led other landowners to convert tracts of cultivated land to sheeppastures. The effect of these two conditions was disruption of traditional labour supply markets and unprecedented wage increases.

From such circumstances emerged the "status quo" philosophy which was subsequently translated into legislation to re-establish and maintain traditional socio-economic patterns. It is evident that this philosophy does not reflect the sentiments of the workers themselves, but rather of those who were in positions of social influence and legal authority to translate "status quo" into legislative reality. As used here, that label refers to the two primary elements of the philosophy which were actually incorporated into the Poor Law of 1388: prohibition against employers offering higher wages as incentives to attract workers, and denial to workers of the possibility of migration - "vagrancy" in the parlance of those times - to seek work elsewhere without specific authority from local officials to do so.

"Status Quo" in the United States

The "status quo" philosophy, as discussed in the British context, had no place within the economic climate of the American colonies or, later, in the ensuing political and social development of the United States. Such a philosophy would have been in direct opposition to the national interest during that period.

From the earliest colonial days, political authorities consistently encouraged settlers to explore and develop new lands to which they

could be granted title literally for the asking. Although the acreage available for gratis freehold acquisition gradually diminished as the population grew, homesteads of roughly 160 acres in certain areas of the West and Southwest were still offered as late as 1908. A few such areas still exist today, although a token price per acre is charged and suitable guarantees are required that the property will be improved within reasonable time limit. Thus, the thrust has been consistently "Go West, Young Man", as opposed to "Stay in Place".

Philosophy of the "Able-bodied Unemployed" in Britain

A second philosophy emerged in Britain concurrent with "status quo" and, along with it, was expressed as part of the Poor Law of 1388. This philosophy suggested, if only faintly, that persons physically or mentally unable to earn a living by working should receive a degree of preferential treatment better than that deserved by able-bodied unemployed. From the pertinent section of the 1388 legislation, this point of philosophy takes the following form: "... every person who goes begging and yet is able to serve or labour shall be treated like those who go out of the hundred without holding the letters patent,...beggars impotent to serve shall stay in the cities and towns where they happen to be dwelling at the time of the proclamation of this statute...or within forty days shall draw them to other towns within the hundred, rape or wapentake or to the towns where they were born..."¹

The effect of the first-quoted phrase "...and yet is able to serve

1. Bagley J J & A J. The English Poor Law. London:Macmillan, 1966.

or labour..." clearly distinguishes the able-bodied worker who applies for public assistance from one not able-bodied. Unfortunately, however, no difference was acknowledged by the 1388 law between the able-bodied layabout who chose not to work and the able-bodied unemployed worker who actively sought re-employment. Both types were classed as one within the legal framework, thus both were equally subject to the punishment of stocks, imprisonment and return to original home parish imposed upon those "who go out of the hundred without holding the letters patent".²

References to the "able-bodied unemployed" appear frequently in legislation enacted subsequent to 1388; indeed, the philosophy attaching to it remains implicit today in eligibility standards for unemployment benefits. Changing social conditions which led gradually to greater recognition by the state to relieve the needy made specific exclusion of the able-bodied unemployed. The public conscience considered immoral the gratis provision of public goods and services to those able to work for them. Life was lived close to the hand, and labour was mostly unskilled, which meant that almost anyone could do it. Semi-skilled labour required training under some form of apprenticeship; once an individual completed such training, a somewhat better standard of living was virtually assured. For persons who achieved even semi-skilled status, certainly for those who achieved affluence through hard work the thought was abhorrent that any of their tax monies could be enjoyed by those who chose not to work.

During the following century, while little change was made in the

2. Ibid.

1388 provisions, the "vagrancy" problem progressively worsened. Eventual action in the form of harsher methods of punishment for vagabondage were imposed by the Acts of 1495 and 1501³. Despite the whipping, branding and imprisonment specified for those convicted of vagrancy, it steadily increased. To strengthen the effectiveness of legislation aimed at "status quo", Henry VIII passed the Beggars Act in 1531, in which better treatment for those unable to work than that accorded layabouts was more clearly enunciated. The Act granted "...all aged, poor, and impotent persons compelled to live by alms permission to beg within a limited area"⁴. This was the first formal statement of tolerance for those who were unemployed by reason of infirmity; it also admitted a degree of state responsibility for such persons in legalising their efforts to beg charity from others.

Previously, the Church had played a key role in relieving want within individual parishes. Revenues for this purpose were collected from parishioners of better circumstances, but generally through voluntary contributions. Such resources did not go very far in relieving acute cases when they appeared in significant number; consequently, individual begging was commonplace, though not legally authorised. Beggars had been subject to punishment at the whim of local authorities until the 1531 Act provided them a measure of legal status. That same Act issued pointed instructions as to the treatment of "sturdy, vagabonds and valiant beggars" which terms described those unemployed through choice. Such persons were to "be set and kept at continual labour"⁵. This stern dictum appeared again in the Acts of 1547 and 1576, and was emphasised later in

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3. Tanner, J R. Tudor Constitutional Documents, London
 4. Ibid.
 5. Webb S and B. English Poor Law History, London

two milestone pieces of social legislation of 1598 and 1601.

Both these Acts were so alike in thrust that they have come to be considered as one package, known as the Elizabethan Poor Laws.

These Laws set up a far more efficient system than previous legislation had done for administration of public assistance to the physically or mentally disabled poor and for controlling vagabondage. With modifications, these Laws remained in effect for well over three centuries. Historians are quick to point out that their initial successes were due to a series of supportive economic factors which lent impetus to the machinery of the system: rising grain prices and falling wool prices encouraged landowners to cultivate more land while cutting back on sheep - a return to the original pattern of the fourteenth century. Need for farm labour effectively syphoned off many vagrants who had been unable to find work even when they looked for it⁶.

The "Able-bodied Unemployed" Philosophy in the USA

This philosophy, as described within the British experience, has been a societal norm in the USA dating from the earliest colonial times. Its longevity is understandable when one considers that the physical demands levied on inhabitants of a developing country necessarily excluded those who were not, at least on arrival, able-bodied. Those same demands effectively militated against build-up of unemployment, especially for those who were able to work. In the American connotation, the term "able-bodied unemployed" applied to

6. Bagley, J J and A J. The English Poor Law. London:Macmillan, 1966

a small number of men who chose the open road of a wanderer, working only when necessary for survival, and who were considered undesirables by conventional society. They were targets for the active hostility by most of the citizenry, especially the harsh, often brutal, treatment from local police.

During that period, there was no state or national legislation by which assistance of any kind was available to the poor, regardless of the reason for their poverty. Nor was there a societal climate which would tolerate an idea that assistance was due those who remained unemployed through choice. As in Britain, some American trade unions and the management of certain companies developed plans for providing some relief to workers who were thrown out of work through no fault of their own. Such plans were on the informal side structurally, with workers having no legal hold on the union or the company. Cash benefits from these types of sources were minimal, made only for items which could not be supplied in kind. Most often, benefits took the form of staple food items, used clothing and coal or wood for cooking and heating. This same format was used generally by the few public and private charities which ministered to the poor, only a few of which made no distinction between those who were so through choice and those who were victims of circumstance.

Some local governments provided minimum, very temporary assistance to destitute members of the community, most often in towns or cities which depended upon one or two major industries for employment. When cyclical or seasonal layoffs were part of the economic pattern, a few of the more far-seeing municipalities legislated aid for the lowest-paid workers unemployed during these periods. In such cases,

assistance was available only to bonafide workers; the able-bodied voluntary unemployed were rigidly excluded.

The Stigma of Being Poor - Britain

While the Poor Laws represented a quantum gain in administrative efficiency over what preceded them, much has been said of the callousness with which they were implemented. Such callousness reflects at once the philosophy attached to the "Able-bodied Unemployed" and of another element as well, that which is labeled as the "stigma of being poor". The adamant public sentiment of that day that assistance be given to able-bodied unemployed only in exchange for work had hardened to the point where it was legislatively institutionalised under the title "Houses of Correction". The able-bodied layabouts and work-seekers alike were lumped together as "offenders" in the public conscience. As expressed by Thomas Noel in the doggerel: "Rattle his bones over the stones; he's only a pauper whom nobody owns"⁷. Contributing to this sentiment was the resentment of taxpayers toward the poor because of the pressures exerted by the Crown through the counties to collect revenues for the support of the Houses, re-designated later as "workhouses".

By the early part of the eighteenth century, these workhouses had taken on the character of jails, with punishment, unremitting labour and the most spartan living conditions the chief means employed to justify support of those committed there⁸. The "offender" status of

7. Ibid.

8. Rogers, Thorold. Six Centuries of Work & Wages. London: Swan Sonnenschein and Co., 1889.

the poor in the public eye appears as the most likely basis for the philosophy of "stigma" which attached not only to the head of the household but to all members of the family.

The Poor Laws came under periodic governmental scrutiny, especially in those times when the number of inmates in workhouses became so large as to threaten the adequacy of the supporting tax revenues. The Poor Law Amendment Act of 1834, while doing away the Speenhamland system⁹ and some of the degrading results attributed to it, strengthened the punitive character of the workhouse system. As Chadwick explained: "By the workhouse system is meant having all relief through the workhouse, making this workhouse an uninviting place of wholesome restraint, preventing any of its inmates from going out or receiving visitors...disallowing beer and tobacco, and finding them work...rendering the person who administers the relief the hardest taskmaster and the worst paymaster, that the idle and dissolute can apply to"¹⁰. It was believed that if the workhouses were made less like a prison in any respect, its purpose would be subverted. According to the Hammonds, the logic of 1834 rested on the logic that "The pauper was as much culprit as victim. At any rate, he was so often a culprit that it was dangerous ever to treat him as a victim"¹¹. One governmental administrator of that period wrote: "We devote ourselves to those who are weak,

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9. Speenhamland system: inaugurated by the Berkshire magistrates at the Pelican Inn in Speenhamland in 1795. Relief was given to able-bodied poor without requiring them to enter the workhouse. Instead, in exchange for work they received pay which fluctuated according to the price of bread flour, giving rise to degradation of workers, it was alleged, and reducing them to virtual serfdom.
 10. Chadwin, Edwin. Member, later Secretary of the Poor Law Board, 1833.
 11. Hammond, J L & Barbara. The Bleak Age, London: Hazell, Watson and Viney Ltd., for Penguin Books Ltd, 1934.

who have somehow failed"¹². This powerful and demeaning social taint persisted over the course of several centuries and, indeed, is not an infrequently expressed point of view today.

Signs of Change to the "Stigma" Philosophy

Indications of mutation in this philosophy appeared toward the close of the nineteenth century. The power of the working classes to make their voice heard in Parliament was increased dramatically by the Reform Acts of 1876 and 1884, by which almost all working men received the right to vote. The formation of four labour groups between 1867 and 1900 enabled them to increase their social pressure¹³, and press for enactment of the Unemployed Workmen's Act of 1905. The major effect of this legislation was, in the words of Lloyd George: "a measure which would do very little good except it recognised a very important principle...the right of a man to call upon the state to provide him with work"¹⁴.

A corollary effect was a lessening of the "offender" status attached to the poor. The Act was permissive in that it enabled local authorities and charitable organisations to set up Distress Committees for the unemployed in the larger towns and extend a degree of relief from rate-paying to unemployed persons.

Further signs of an easing of the philosophy of "stigma" were two recommendations submitted in 1909 to John Burns, President of the

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12. Cole G D H, Short History of the British Working Class Movement 1787-1947. London: George Allen & Unwin Ltd., 1948.
 13. Trade Union Congress (TUC), 1887; Social Democratic Federation (SDF), 1883; Independent Labour Party (ILP), 1893; Labour Representation Committee (LRC), 1900.
 14. Clegg H A., Alan Fox and A F Thompson. A History of British Trade Unions Since 1889. Vol. 1, Oxford: Clarendon Press, 1964.

Local Government Board: first, that workhouses be abolished and that treatment of paupers should be curative and restorative rather than punitive; and second, that able-bodied poor should in exchange for assistance work" except in "exceptional and temporary circumstances"¹⁵. The effect of that last phrase stimulated official acknowledgement that unemployed able-bodied workers were deserving of public consideration, without stigma, when their status was due to events beyond their power to control.

Still another indication of a softening of the philosophy is perceived in the coining of the term "public assistance" by the government. The purpose of that new term was to encourage a general public shift away from the long-held system of ideas that poverty for whatever reason was denigrating and a sign of wilful individual failure of some sort¹⁶. The term grew out of an embryo effort to destigmatise the social status of impoverished persons.

In the United States during this same period a fleeting indication appeared of other than local interest in the problem of income maintenance for unemployed workers. Professor H R Seager of Columbia University took the lead in setting up state-level discussions in New York of the unemployment insurance issue. Later, during the years 1907-1911, Professor C R Henderson urged that American Association of Labor Legislation to spearhead a campaign for passage of national enactments patterned after the British model¹⁷.

15. Report of the Royal Commission to Examine the Poor Laws, 1909.

16. Labour Leader. 8 September 1905.

17. Altmeyer, Arthur J. "Unemployment Insurance: A Look at the Past and the Future". Unemployment Insurance Review, October 1967.

His initiative was successful to the extent that a committee was appointed by the New York governor to consider the ramifications of such legislation within the economic climate of that era.

It is apparent that the committee was more a device to forestall the necessity for legislative attention on this unwelcome subject than a serious invitation for substantive recommendations.

The Stigma of Being Poor - USA

This philosophy was brought to the American colonies as part of the residual heritage of the colonists themselves. This "stigma" although discussed thus far only within its British context, nevertheless was endemic in other nations as well, some of which sent colonists to America during the same period as Britain. Consequently, the socio-economic separation between classes was imported virtually intact within the personal systems¹⁸ of new arrivals. Since colonies at their outset were essentially commercial enterprises, there was an already-established hierarchy wherein the appointed governor and his staff were at the highest level, followed in descending order of importance by merchants, factors and soldiers, with the working classes occupying the same niche in the social pattern as in their mother country. All of this served to simply transport the class system from one country to another.

The strong initial influence of the class system and the "stigma

18. Personal System: describes the whole of an individual's experience, to include family environment, religion, siblings, neighbourhood, bias, prejudice, interests, ambitions which are part of the individual's uniqueness.

of being poor" became less and less visible as a function of shared hardships among those who pressed westward in search of new lands to which they could acquire title virtually for the asking.

Apart from the privations which all levels of pioneer society were forced to endure together, there was an imperative to share and co-operate in the interest of common survival. Communal efforts - security during Indian forays, land clearing, house and barn building - all contributed to lessening the importance of previous social classifications.

To be poor in material possessions was the usual human condition in those circles, accepted as part of the social scenery. Equally accepted by the settlers was the requirement for hard work, frequently under a variety of risks, to sustain and improve the quality of their lives. Effectively, poverty was destigmatised by the force of its pervasiveness and through over-riding environmental urgencies in pioneer society.

As cities proliferated westward over the continent, certain of them prospered, becoming larger and increasingly sophisticated, the "stigma of being poor" reasserted itself. Such stigma readily attached to those newly-arrived immigrants who joined sizable communities already stratified into social classes. Yet the residual effect was a fragility of the stigma in that it could be readily cast off by the virtue of achievement, usually reckoned in material terms.

MIDDLE PERIOD (1911-1935)

The advent of the twentieth century saw Britain having traveled a long way down the road of experience in social philosophy and related legislation on which it had embarked some six centuries earlier. As of 1905, Britain put on its national books new legislation which had the effect of recognising a degree of state responsibility toward those who were rendered unemployed through no fault of their own.

By contrast, the United States had not yet recognised a need for similar action, and remained wedded to philosophies imported from Britain during the previous two centuries: that of the "able-bodied unemployed", and the "stigma of being poor". Public assistance was confined to local governments with only loose attempts at intra-state co-ordination by charity "boards" - and that only in some states.

The first American national legislation even marginally within the broad definition of social welfare came into being just before 1910. It required employers to carry insurance with private companies to indemnify industrial injury to workers. Primarily a defensive mechanism for employers, this was the result of a growing tendency for courts to award sizable damages to workers who brought suit against their employers for injuries incurred on the job. The legislation made "Workmen's Compensation" insurance by employers mandatory and covered injuries arising from workers' own carelessness as well as from employer negligence; it also removed the right of employees to sue their employers privately for damages. The subject of income maintenance for those involuntarily unemployed had not

been raised or even discussed, except in New York, and there only by a committee whose importance can be imputed from the fact that no substantive results from its efforts are known.

Of the three philosophies identified in the Early Period, only two are discernible in Britain after the turn of the century: the "able-bodied unemployed", and the "stigma of being poor", the same philosophies operative in the United States at that time. The third, "status quo", had faded from British public consciousness during the latter half of the previous century. Not only was worker mobility now permitted in Britain, but was actively encouraged from time to time in order to redistribute the work-force in response to regional needs. Both philosophies have endured and are perceived as strong in Britain and the USA today among those who remain oriented toward the "work ethic".

One may well wonder why the United States, with its history of ready acceptance of immigrants and assistance to people of other nations had displayed no real interest in legislating assistance to its own unemployed. The British example in this field coupled with the special, close historical ties between the two nations could have been reasonably expected to produce at least some visible stimulus to American consciousness in that regard.

It is postulated that this seeming departure from an American pattern of humanitarian concern arose from interplay of two factors. First, social problems related directly to high unemployment were virtually unknown. The continuing requirements for manpower in a prospering economy during a century of expansion of national borders used up any surplus in this commodity before it became more than a

local problem. Second, the traditional mobility of the American work-force - quite the opposite of the former British "status quo" philosophy - adjusted manpower supply imbalances without the necessity of political intervention.

British Philosophies and the National Insurance Act of 1911

The Edwardian years are often looked upon as a golden period in British history. Indeed, the absence of full-scale wars make them so by comparison with certain other periods. They were turbulent, nevertheless, because of labour's mounting dissatisfaction with traditional work patterns. Working men were insisting more and more vigorously on higher pay scales and greater job security. Tensions caused by worker militancy in these matters were heightened by the plight of veterans of the Boer War returning to find no jobs and little provision made for their re-entry into civilian life. The unemployment rate with the TUC-affiliated membership alone climbed steadily from 2.3% in 1900 to 4.0% in 1902, reaching 6.3% in 1905 - the year of the Manchester Unemployed Riots. The effect of prolonged unemployment, which reached 9.5% in October of 1908, produced dramatic revisions of established British thinking regarding the place of labour in the scheme of life¹⁹.

Sir William Beveridge, pioneering the study of cause and effect relationships between unemployment and various social ills of that day, was convinced that unemployment was fundamental to the whole question of poverty. In 1909 he wrote: "Workmen today are

19. Board of Trade. Seventeenth Abstract of Labour Statistics, BPP, 61.

men living on a quicksand, which at any moment may engulf individuals, which at uncertain intervals sinks below the sea surface altogether"²⁰.

The effect of labour pressures and sentiments like those of Beveridge impelled Lloyd George to make vigorous introduction to Parliament of a long much debated, much revised National Insurance Bill.

His views on the subject were clear and forceful: "I cannot help believing that before this generation has passed away, we shall have advanced a great step towards that good time when poverty, and the degradation which always follows in its camp, will be as remote as the wolves which once infested its forests"²¹.

Passage of the National Insurance Act of 1911 proclaimed that philosophies relating to the public assistance had reached a stage of maturity strong enough to cause enactment of legislation specifically designed to relieve want. The Act enunciated a fundamental change in the government's philosophy concerning its responsibility to administer to the health and welfare of its poorest citizens. Part I of the Act applied to health and welfare benefits; Part II established unemployment benefits for certain categories of workers. The phrase "certain categories" is emphasised since eligibility for unemployment benefits did not include all workers, but only those in specific manual trades, principally building and engineering. Thus, the humanitarian effects of the Act, reflections of current philosophy modification, were marred by narrow eligibility rules and restriction to roughly one-fourth of the workforce.

20. Beveridge, William. Unemployment, A Problem of Industry. London: Macmillan, 1909.

21. George, Richard Lloyd. Lloyd George. From a speech of the PM at Newcastle upon Tyne, 1910.

The "Liberalisation" Philosophy

This philosophy emerged from social conditions which were created more through external than internal pressures. These external influences are traceable directly to World War I, and the demands it made on the economy and, in turn, on the workers supporting the war effort in the factories and on the farms. Several factors appear as prime movers in promoting general acceptance of the "liberalisation" philosophy, a label to describe willingness to support greater generosity of benefit payments and to bring more workers within eligibility limits.

One important factor is the build-up throughout the war years of the unemployment fund to an amount exceeding five times its pre-war level. The size of the fund was such that it presented convincing evidence that the country could afford to extend coverage to more workers without a related budgetary threat. There was plenty of money to pay benefits to the numbers of unemployed workers anticipated in the wake of post-war industrial slump. And there were those in government who, recalling with anxiety the unemployment strife after the Boer War, looked toward those post-war years and contemplated the employment problems they might bring.

Another factor was the "rightness" of extending coverage as a fitting expression of unity while the country was on a total war footing. This factor combined with the fund build-up to promote unopposed passage of the Munitions Workers Act of 1916. This brought health and unemployment benefits coverage to all workers engaged in or connected with munitions work and certain other trades - ammunition, explosives, chemicals, metals, rubber, leather and bricks -

whether or not these trades were in fact engaged in munitions work. The Munitions Act was the first legislation to reflect the liberalisation philosophy since it extended coverage to virtually everyone working in any industry, except those in agriculture and domestic service.

In 1920, unemployment insurance coverage was extended further to all manual workers earning less than £250 annually, except for agricultural and domestic workers. This time, however, the basic philosophy was not translated into legislation as a function of war solidarity, but by fear of what the large numbers of unemployed ex-servicemen might do if some practical response to their plight was not made.

The liberalisation philosophy was essentially government-sponsored and nurtured. Closely allied to it, and emerging during the same period, was a derivative reflecting society's admission that not only does the government have a responsibility for relief of its unemployed citizens, but that such citizens have a "right" to make claims upon the government to provide them work²². The element of "right" in such a context is important here since it represents a liberalisation of the government's previous admission of obligation to provide for its citizens.

Developing American Interest 1911-1935

Except for the brief interest in 1907 of Seager's committee in New

22. Brown, R G S. The Management of Welfare. Glasgow: William Collins & Sons Ltd, 1975.

York, the subject of unemployment insurance remained on the shelf until the mid-World War I period. With the growing inevitability of American involvement in that war, some thought at the national level was directed to post-war manpower planning to avoid if possible the same type of unemployment unrest that occurred in Britain after the Boer War. In 1916, a "resolution" was introduced into Congress for appointment of a national insurance commission for "mitigation of the evil of unemployment"²³. Some states, notably New York, Massachusetts, Illinois, and especially Wisconsin displayed active interest in serious planning in that field. State Senator Huber of Wisconsin introduced the "Huber" bill into the Wisconsin legislature in 1921, the main features of which had been drafted by Professor John R Commons of the University of Wisconsin. It is interesting to note that Huber's bill provided ~~that~~ input into the unemployment benefit fund be made solely by employers, based on individual employer experience with employee turnover. Current practice in most states follows Huber's recommendation.

The bill failed of passage in 1921 and in every succeeding session in which it was re-introduced until, finally, in 1932 a much modified version of the original passed by a large majority. Wisconsin is held up as the pioneer state in taking definitive action to provide unemployment benefits. Much of the later federal legislation is patterned after that of Wisconsin²⁴.

Harking back to 1921, there was a brief but sharp business recession

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- 23. United States Commission on Industrial Relations. Final Report, 64th Congress, 1st Session, 1916. Washington, D.C., U.S. Government Printing Office.
 - 24. Rauschenbusch, Paul. "Wisconsin's Unemployment Compensation Act". American Labor Legislation Review, Vol.22, 1931.

that year. Its greatest effect was to frighten that segment of the public which had enjoyed boom years during World War I in the production of items for the allied war effort, both before and during active involvement by the United States. Accustomed to prosperity and fat paycheques, workers and legislators alike were appalled at the fall-off in employment and corresponding decline of individual buying power. The then-Secretary of Commerce, Herbert Hoover, later to become the 31st President, chaired in 1921 a presidential Commission to deal with recession problems. The Commission recommended compilation of a catalogue of federally-funded works projects which could be implemented at any time unemployment became a serious threat to the general welfare. As it happened, by the time the Commission published its recommendations a brisk recovery was already in progress and no action was taken on them.

An illustrative sidelight on the decidedly inchoate stage of unemployment planning during that period can be gleaned from one of the Hoover Commission's earliest snags. It was agreed among the members that one of the essential bases for its work was the actual unemployment figure and rate. However, no national unemployment statistics were recorded at that time. Undismayed, the Commission arrived at this base statistic by a voice vote, derived from the best estimate of individual commissioners. "A majority of Commission members voted that there were 5,000,000 unemployed at that moment in time, and that figure because the accepted statistic"²⁵.

Brief recessions occurred in 1924 and 1927, from which recovery was sufficiently rapid as to discourage further consideration either

25. Clague, E and L Kramer. Manpower Policies and Programs. Kalamazoo: W E Upjohn Institute for Employment Research, 1976.

of continued downturn or of public-funded work projects recommended by the 1921 Commission. The absolute peak of the business and stock market arrived in 1929. Prices were attractive, credit was the basis upon which skyrocketing commercial activity was conducted.

The euphoria born of this peak economic condition came to sudden, shattering disaster with the collapse of the stock market on October 29, 1929. National financial catastrophe followed immediately, with severe international repercussions; catastrophe that seemed to feed on itself and then regenerate to monumental dimensions during the ensuing near-decade. It is within this climate of economic crisis that mutations in the traditional British and American philosophy of "self-reliance" can be perceived with perhaps some greater clarity than would be possible under less exigent circumstances.

The Philosophy of Self-reliance

The philosophy of reliance on self as the primary means of survival attaches equally to British and American tradition. As this philosophy is seen to influence legislation on assistance to the unemployed, a marked disparity is perceivable between these two nations dating from the British Act of 1911. While no similar legislation appeared in the United States for another quarter century, fluctuations in the popular strength of this philosophy in each nation are susceptible to comparison between them.

In Britain, the increasingly powerful voice of labour exerted

significant influence on pre-World War I government decision-making, certainly on the passage of the National Insurance Act of 1911. With passage came a gradual decline in the importance attached to the philosophy of self-reliance as the sole pillar of survival. The decline was accompanied by a corresponding rise in the popular realisation by workers covered under the Act that the government was now in the business of shoring up that pillar when they became unemployed through no fault of their own.

By the time the 1935 American counterpart legislation to the British Act of 1911 appeared, an entire British generation had grown up in the shelter of its benefit security and the liberalisation of benefits which periodically ensued. Only toward the close of the quarter-century time gap was a reason for change in the *American* philosophy of self-reliance precipitated by events - those of the Great Depression.

CURRENT PERIOD (1935 to date)

By the mid-thirties, the traditional American philosophy of self-reliance had been softened sufficiently through the trauma of economic depression to permit passage of the Social Security Act of 1935. This Act resolved much of the long-standing disparity in the field of social welfare between Britain and the USA, Britain with a head-start of a quarter-century. The major characteristic in both countries during the Current Period with respect to unemployment benefits is perceived as progressive alteration of existing philosophies rather than emergence of new ones.

In Britain, the liberalisation philosophy first identified during the Middle Period matured until, by 1939, four insurance funds had been legislated, each responding to a specific need: health insurance, unemployment insurance, agricultural unemployment insurance and pensions for the aged, widows and orphans. Eligibility for these benefits depended upon contributions paid in by the insured. The liberalisation philosophy led also to public assistance legislation, under which benefits were based on need, not contributions. In fact, the name "public assistance" was an effort to destigmatise the charity nature of the Poor Law, now in its final stage.

Further impetus to the liberalisation philosophy was implicit in the recommendations of the Beveridge Report, published in 1942. Beveridge sought to consolidate the various pieces of legislation into one comprehensive system founded on two complementary bases: obligatory contributions by workers as the primary means of assuring income maintenance to the unemployed; and what was intended as a secondary part of the system, national assistance to those who did not qualify for the first type of benefits by reason of having no affiliation with the work force - need, not contribution to govern the amount of benefits.

These recommendations of Beveridge reflected interplay between the philosophies of liberalisation and the "stigma of being poor". It was reasoned then that benefits received as a result of contributions would be a matter of right, not of public charity, thus no "stigma" should attach to them. National assistance benefits, based on need were, on the other hand, plainly charity. Periodic

efforts to destigmatise such benefits were made through changes in title: originally "public assistance" they were subsequently renamed "national assistance", and in 1966 again renamed as "supplementary benefits". In that same 1966 action is yet another interplay between liberalisation and "stigma". The "right" to benefits, previously enjoyed only by those making contributions to unemployment insurance, was extended to claimants for supplementary benefits based on rules of qualification and not, as in the case of insurance, on length and amount of contribution.

The American Social Security Act of 1935 contained two principal features: old age pensions and unemployment benefits. Coming as it did in the most devastating economic crisis in American history, the Act was looked upon as the first, firm promise that the aged and unemployed would receive a measure of protection in future against the type of grievous want seen everywhere since 1929. Further, the Act was viewed as a logical, much-needed, but very tardy milestone in the evolution of social legislation, but only after its enactment. In spite of the social condition which prompted its ultimate passage, while still in the Bill-debate stage there were strong attacks on it in the Congress. These attacks were founded substantially on the reluctance of some lawmakers to formally draw away from the traditional philosophy of self-reliance in favour of federally-supported relief measures.

Such attacks were less virulent against the old-age pension sections of the Bill but, as if to compensate for this more tolerant attitude toward old people, were vehement indeed against the unemployment insurance sections. One evidence of this, when the legislative decision point was reached in the Congress with respect to the

whole package of Bill, was that unemployment insurance was relegated to last place on the agenda in spite of the fact that the Council of Economic Advisers had placed it first. Opposition to unemployment legislation at the national level was based on two salient fears: first, there was anxiety that federal action would be declared unconstitutional since it pre-empted state authority without, so it was argued, compelling reasons for doing so. Second, in weakening the requirement for workers to earn through work the right to even minimal survival, the incentive to work would be correspondingly weakened. This argument relates directly to the philosophy of self-reliance and the worry in the minds of legislators in setting a legislative precedent which would diminish its importance in future.

A brief word is appropriate at this juncture concerning the vastly different philosophy in Britain compared to that in the USA with respect to the political level at which legislative action should be taken. These opposing philosophies embrace the entire national life of each nation and apply directly to, but are not confined to, the issue of unemployment benefits.

British Centralisation and American Decentralisation Opposing Philosophies

Britain's history manifests a traditional devotion to the philosophy that the effectiveness of a policy or programme is best assured by legislating for it at the national level, and applying derivative provisions uniformly throughout the land. The United States is

equally devoted to the opposing philosophy, as expressed in the 10th Amendment of the Constitution; in substance: only when Congress has been persuaded that the national interest would be best served through federal legislation on a given issue should the free exercise of state sovereignty on that issue be pre-empted.

A trace of legislation in Britain related to relief measures for the poor reveals few examples of legislative initiative at other than the national level. Although the Speenhamland plan was conceived by the "country gentlemen of Berkshire"²⁶ in 1795, it was not intended only for local application. During that same year the plan was incorporated into an Act of Parliament for uniform implementation throughout the realm. It is true that Church, town and county actions were taken in some instances to relieve the needy within their jurisdictions, yet significant legislation appears to have been confined to Westminster. Although local authorities presently administer certain welfare-related benefits, such as council housing, rent rebates and free school meals, the mandate for them to do so is parented in national enactments. Indeed, it is difficult to find evidence that legislation on this general subject was ever entertained except at the national level.

It can be argued that the monarchic political structure of Britain historically places greater emphasis on control being retained by the highest authority. It seems clear that the philosophy of centralisation, as revealed quite consistently by the pattern of social welfare legislation, remains strong and vigorous.

26. Hammond, J L and Barbara. The Bleak Age. London: Penguin Books Ltd, 1934.

In the United States, the traditional legislative legacy of state sovereignty was ultimately altered to permit some federal measures for unemployment relief through the action of a series of woes derived from the crash in 1929. Municipal and state relief resources to aid the unemployed, if any, were soon exhausted, which left only voluntary charities to shoulder the burden of providing the most basic necessities. Yet in spite of these seemingly monumental arguments for immediate and definitive federal response to the plight of unemployed masses throughout the country, the combined strength of the philosophies of self-reliance and state sovereignty remained formidable bars to remedial legislation over the period of the next five years. While stop-gap legislation at the local, state and ultimately the federal level in the form of nationally-funded public works projects was forthcoming and did some good, it became increasingly apparent in spite of continuing demurrers by obdurate states' rights congressmen and senators that the real need was for an encompassing piece of federal action. The real catalyst for the serious drafting and debate of such legislation in the Congress was Wisconsin's 1932 unemployment benefits act. Yet even with this example, three more years of acrimonious debate in the Congress were necessary before the negative votes by champions of state sovereignty-at-all-costs ^{were} overcome and the Social Security Act of 1935 enacted. Part II of this Act established a federal umbrella for unemployment benefits, while leaving to each state the option to participate or not and, if it did participate, to elect the procedures and benefit amount to be applied within the state jurisdiction.

This federal-state compromise arrangement was palatable enough for proponent and opponent alike to live and face their respective

constituencies with. The Act contained certain concepts imported directly from the British experience, notably per capita payroll taxes paid into special funds and the "right" of claimants to benefits derived from such funds. There were still significant differences, however, reflecting the philosophic divergence between them. First, the philosophy of self-reliance is perceived as having declined markedly in Britain since the passage of the 1911 Act, as a logical effect of the flat-rate benefits paid without reference to claimants' previous earnings level. By comparison, the original 1935 Act in the USA clearly established at the outset earnings-related benefits for both old-age pensions and unemployment benefits, as elements of the federal umbrella. The liberalisation philosophy in Britain, as mentioned previously, had had a twenty-five year period in which to grow and affect legislation before any American counterpart came into being. Thus, the USA began with its traditional philosophy of self-reliance uneroded by time and events. Second, the American Act reflected a compromise which established a basic legislative umbrella for unemployment benefits at the national level, while leaving each state the option to participate or not; only participation in the old-age pension legislation was obligatory for all states.

The palliative device of imposing on the states only the requirement of subscribing to federally-controlled old-age pensions - seen at that time secure from attack on emotional grounds - while preserving state option on unemployment insurance beyond certain basic underpinning enabled legislators on both sides of the fence to hold their heads up as defenders of traditional values. The American philosophy of self-reliance thus gradually was diluted to

the degree necessary to accommodate legislation which responded to pressing social needs, but no further.

In Britain there is no evidence that any need for similar compromise was perceived either before or since passage of the 1911 Act.

From Lord Beveridge to Richard Titmuss, the concept for all forms of social legislation appears to depend upon national rather than, say, county decision for translation into practical measures.

The comparison here involves two philosophies: self-reliance gradually giving way in both nations in the face of compelling social imperatives but with Britain in a twenty-five year lead over the USA; and a sharing in America of sovereignty between national and state governments on unemployment benefits while Britain legislated this issue only at the national level.

Continuing Liberalisation in Britain and the USA

Reference is made to earlier discussions of the liberalisation philosophy and its translation into legislation in both Britain and the United States. It should be remembered that in the United States, only since passage of the 1935 Act has there been real basis upon which to observe the liberalisation philosophy in terms of subsequent, related legislation. From the end of World War II, however, there is ample evidence in both nations that the liberalisation philosophy has been active and remains so today.

In 1948, based on the recommendations of the Beveridge Report, a sweeping restructure of the whole social security system was

undertaken in Britain. At irregular intervals through the years, before as well as after World War II, increases in the amount of benefits were authorised in an attempt to maintain reasonable viability with steadily rising prices. Unemployment benefits marched from seven shillings (1912) to the present £15.00; an earning-related supplement was tacked on to pensions in 1961, and then appended to unemployment and sickness benefits as well in 1966. The whole catalogue of social security benefits has been progressively expanded until today there are some sixty benefit possibilities susceptible to claim, either singly or in combination, according to individual claimant circumstances.

In the United States, the liberalisation philosophy at the federal and state levels acted to push the kinds of benefits and the amounts attached to each of them upward at various times during the years since 1935. Under the state sovereignty philosophy, states proceeded in this upward direction largely at their own individual pace as changes in intra-state economic-labour conditions were assessed by state legislatures. The federal government did step into the picture from time to time when the combined pressure of a number of states' representatives was strong enough to force it. The original Act was expanded in 1940 to provide benefits for widows of workers with minor children; in 1956 disability insurance became a part of the system, with medical insurance for the aged (Medicare) added in 1966.

It is at this point in time that the impetus of the British and American versions and practices of the liberalisation philosophy appear to have resulted in a convergence sufficient enough to produce a body of social welfare legislation strikingly congruent between

them. Yet the administrative procedures involved in delivering the legislation to claimants are strikingly dissimilar in certain basic ways. Comparison of such procedures appears in a later Part of this study.

With the "energy crisis" of the early '70's in the USA, unemployment skyrocketed, one effect of which was to bankrupt the unemployment benefits fund in a number of states. To continue benefit payments to claimants, these states were obliged to borrow from the federal Treasury. In 1974 and 1975 the liberalisation philosophy, already having prompted several increases in benefits in old-age pensions and unemployment benefits as a consequence of a 6-year inflationary spiral which showed no sign of levelling out, federal action provided funds to states by which to extend the 26-week maximum duration of unemployment benefits, normal in most states, to 65 weeks.

To this point, discussion of the Current Period has focused on mutations perceived in the philosophy of liberalisation, with secondary attention to its interplay with that of self-reliance. Essentially, the rise of the former has contributed to a corresponding decline of the latter. This is seen as logical and inevitable, since fluctuation of one directly affects the stability of the other.

The "able-bodied unemployed" philosophy still constitutes one of the basic supports on which eligibility standards are founded in both Britain and the United States: unemployed persons whose work record demonstrates attachment to the regular work force and who actively seek new work are entitled to unemployment benefits; those whose past work record and current activities argue otherwise are disqualified. Certain administrative procedures, however, by which

this philosophy is translated into practice differ markedly between the two nations. In this regard, the liberalisation philosophy is seen currently to exert both a positive and negative thrust. On the positive side, it operates to cause periodic benefit increases in order to keep claimants' buying power near the level at which goods are priced. On the negative side, it is seen by some to over-compensate for past real or fancied administrator severity and intransigence in dealing with claimants by permitting casual, rather than scrupulous enforcement of claims control measures. These issues are discussed and compared in another chapter of this study.

The "stigma" philosophy has been disavowed in Britain and the United States in various ways throughout the Current Period. "Stigma" certainly becomes less visible during times of high unemployment when great numbers of people are forced to rely on various benefits to replace income from work. Yet, if less visible "stigma" remains a taint felt in varying intensity depending upon the degree of individual identity with the regular workforce. Those who so identify are seen to feel the stigma label most strongly, since they seek to rejoin the workforce and only feel fulfilled while an active, working, contributing member of it.

CHAPTER 4

COMPARISON OF BRITISH AND AMERICAN ADMINISTRATIVE PROCEDURESIntroduction

This chapter is concerned with comparison of key procedures between British and American systems for administration of unemployment benefits. It is useful at the outset to define "comparison" and "key procedures" as these terms relate to each other and to the subject matter. "Comparison" includes the related areas of description and discussion which provide substance to identification of similarities and differences. "Key procedures" are those major administrative activities by which each nation applies its governing legislation to employers and claimants. Within that latter term, "key" refers to procedures selected from the whole body of each nation's operating regulations which, in the judgment of this researcher, best illustrate inter-system similarities and differences.

These comparisons are facilitated by a number of shared objectives between the two nations, including the following, as derived from the language of the basic Acts and from commentary by various writers in the field:

- a. to provide cash benefits to workers as a matter of right while they are unemployed through no fault of their own.
- b. to relate benefits to prior wages so that claimants may maintain a reasonable standard of living during the

period of search for a new job.

- c. to provide government assistance to workers in locating job opportunities and, when necessary, help them to acquire different or additional skills to increase their employability.

Note the implicit assumptions that unemployment is involuntary, benefits are of temporary duration, and that government has an active role to play in the job-finding process.

Seven procedural areas have been selected as bases for comparison. They represent anchor points for the system of which they are part, and highlight within manageable limits the scope of activities with which unemployment benefits are concerned. These seven areas are: British centralization of procedures versus American decentralization to a federal-state system; sources of contribution and methods of payment; fund management; experience rating; eligibility and related standards; employer non-compliance; and emergency procedures. Presently, there is no British counterpart to the American experience rating, and no general American counterpart to the British emergency procedures. Inclusion here of these two one-sided - currently, at least - features serves to emphasise the areas of basic dissimilarity between the two systems which stand out sharply in the midst of other, less dissimilar, areas.

British National - American Federal-state System

The underlying philosophy of these two approaches was discussed in the "Legislative Philosophies" chapter of this study. No comparisons

were made at that time of operational characteristics or the advantages and disadvantages which accrue to each of them. Such comparisons are timely now in order to provide a general backdrop against which subsequent comparisons of more specialised procedural areas may be clearly reflected. Essentially, comparisons are between British centralization of decisions regarding functions and administrative procedures of the unemployment benefits system and American decentralization of these same decisions to each of the fifty state governments.

In Britain, overall responsibility for the whole national programme of social welfare, of which unemployment benefits is one element, rests with the Department of Health and Social Security (DHSS). Decisions on matters of policy affecting any of its elements are made by DHSS on the basis of input from appropriate subordinate agencies, along with special studies such as those from the Committee on Local Authority and Allied Personnel Services (1968), the Fisher Committee (1973), and various "consultative documents" produced in response to specific study requirements.

With respect to unemployment benefits, the Department of Employment (DE) is charged with implementation of DHSS policy in direct servicing of claimants. In that role, the DE develops eligibility, payment and related procedures for claimants, makes payments and initiates action against fraud. This chapter touches on all the above operations except that of fraud, which is the subject of a later chapter.

DE claims procedures are derived from national legislation and operated through a network of six regional and over 900 local unemployment benefits offices (UBO's). The DE is officially known

as the DE Group (Figure 4.1): its other elements are the Health & Safety Commission (Figure 4.2): an independent body designated as the Advisory, Conciliation & Arbitration Service (Figure 4.3): and the Manpower Services Commission (Figure 4.4). The DE Group is headed by the Secretary of State for Employment, currently the Right Honourable Albert Booth, MP. Reporting directly to him is the Permanent Secretary, Sir Kenneth Barnes who is responsible for the organisation and efficiency of the whole Department and directs the Civil Service staff. The prime DE task is "to promote the efficient use of manpower in a socially responsible way"¹.

While certain functional activities of the DE have been delegated to subordinate elements, an impressive number of them - fourteen - are retained at Departmental level, one of which is unemployment benefits. Such tasks lie severally in the fields of administration, policy and planning, and operations (Figure 4.5). The centralization of policy development and decision-making at the national level is thus further illustrated. Regional benefit officers do prepare and forward recommendations on certain matters, such as prosecution of fraud, for Departmental consideration and final decision. Through this medium a degree of influence on that decision is sometimes possible, depending upon the issue, how it is argued by the regional benefit officer concerned, and how these arguments are perceived at Departmental level. Essentially, regional attention centres on monitorship and inspection of day-to-day operational and administrative functions, assuring prompt processing of claims and benefit payments according to the letter of the law. Adjudication of "grey" areas is not within the province of a regional benefit office,

1. A Guide to the DE Group. Information Directorate of the Department of Employment, May 1977.

but the function of DE "insurance officers" who render decisions based both on the letter of the law and case precedent.

Discretionary authority is limited at regional level to such issues as furnishing interpretation to UBO's on new procedural instructions, authorising employer-assisted benefit procedures and necessary funds to UBO's suddenly confronted with dramatic rises in claimant traffic. When such instances become generalised within a region and extraordinary measures must be taken to cope with them, such as increasing the weekly signing to fortnightly intervals, Departmental decision must be sought. Administrators at regional level use as a rule of thumb the criterion that problems associated with routine "weekly signing" are generally within regional discretion; others are referred to London.

In the United States, administration of unemployment insurance is not centralized at the national level, but operates instead through a decentralized, bilateral federal-state relationship under which each state is virtually autonomous. The 1935 Act established a set of minimum standards which each state must adopt in order to become a certified participant in the programme. The federal standards constitute a foundation upon which member states super-impose their own eligibility and payment regulations. The aim here is to assure each state the freedom to tailor its programme according to prevailing social and economic conditions, while assuring the integrity of all such programmes through monitorship of the federal standards.

While some states did delay their federal participation because of unwillingness to subscribe to federal standards, employers and legislators exerted sufficient pressure on state legislatures so

that, one after another, each state elected to join the federal programme. Employers were attracted by the tax advantages which accrued to them by virtue of state participation; state legislators were attracted by the federal grants to states covering total administrative costs of approved state unemployment insurance plans. In effect, the Act preserved the cosmetics of state sovereignty while making it impractical for any state to remain outside the federal option.

Each state designated an agency to administer and monitor its programme. All such agencies are associated directly with each state's department of labor, and are known by various titles, such as Department of Labor Claims, Office of Unemployment, and the like. While operating procedures differ among states, the terms of reference of each such agency are similar. In all states, the responsible agency is located at the state capital, with branch offices dispersed geographically according to population density.

The federal standards imposed on states as prerequisite to full partnership include such basic elements as definitions of essential terms², basis for tax credits allowed employers in participating states against the federal tax, certain excluded employments, status of non-profit organisations, and the like. Standards for eligibility, contributions, amount and duration of benefit, penalties levied against claimants and employers, and related subjects are wholly within the province of individual state legislative action. As a consequence, there are virtually fifty different state systems

2. For example: "employer" is defined in the U.S. 1935 Social Security Act as any individual or any one of specified types of legal entity that had one or more individuals performing service for it.

for unemployment insurance operating within the latitude allowed by the umbrella of federal standards.

Comparisons between British centralization of authority at the national level and American decentralization through federal-state shared authority narrow to two main issues, decision-making and effective communication, with a third issue - responsiveness - of interest value only.

Decision-making and Effective Communication

In the British system, decisions taken at the national level affect the totality of the system since they are applied uniformly throughout the United Kingdom. While there is room for special consideration to be accorded one locale to the exclusion of others, justification for preferential treatment is difficult to sell at Departmental or Parliament levels. As a corollary, system-wide decisions have the appeal of being seen as equitable by everyone, whether or not the effect of the decision itself is applauded. In the United States, decision-making is fragmented among fifty-two political entities³, thus any procedural uniformity is accidental. The British feature of uniform application is absent; in fact, some of the procedural disparities among the states actually attract unemployed to certain of those where benefits are more generous and eligibility easier to establish. For the taxpayers in such in-migration states,

3. Fifty states, plus Puerto Rico and the District of Columbia. For convenience, "fifty" is commonly used to denote member entities of the union.

this attraction is an issue of high-temper and bitter contention⁴.

Effective communication is construed here in a dual sense: administration of the system, and understandability by the public. In the first sense, the British system is clearly easier to administer since only at the national level are procedural changes made. While input by way of recommendations and counsel from county and local governments may be welcomed, procedures are cast in final form at the national level. This feature makes possible a greater certainty that policy or procedural directives will be interpreted as the drafters intend, since administrators at all levels belong to the same Department. And in cases where language does engender variations in interpretation, correction can be made at one stroke from the national level. In the United States, for reasons already discussed in connection with other procedural areas, simplicity of administration and understandability of its effects by the general public and administrators alike is inhibited because of fifty virtually autonomous decision-makers. One of the great difficulties encountered in the conduct of USA-based research for this study can be laid at the door of built-in complexity and conflicting procedures among these states.

In the second sense, understandability by the public, the British system has both the need and the capability to communicate effectively. Since the claimant in Inverness will be equally affected by a procedural change as will a claimant in Swansea, Departmental

4. There have been attempts by some states (New York, Louisiana, and Hawaii most recently) to limit in-migration of unemployed from other states and nations; such attempts have been declared unconstitutional by the Supreme Court when only grounds of "unemployed status" are used as basis.

communications must be made clear to both. By contrast, in the United States even intra-state communications to claimants are liable to contamination by the interplay of interpretations of federal standards. Resolution of such problems in the USA, much of which lies in the field of reassuring claimants as to their rights to benefits, is perceived as taking a longer time and requiring the intercession of more administrators than in Britain. This is due to the layering of bureaucracies at the US local, state, and national level, each of which enjoys significant latitude to adopt its own stance on such matters.

Related Issue: Responsiveness

Of related interest is the issue of which system is the more capable of quick, effective response to special, regional unemployment situations which do not prevail elsewhere in the country. Such special circumstances might arise, for example, from a local industry shutting down because of diminished availability of raw materials or mineral resources, or from agricultural and directly-related activities being ruined by climatic extremes, plant or animal disease. On the one hand, one postulates that the British system is likely to be slower to react to localised situations because of its dependence on centralized administration, and that the American system of individual state control is capable of faster reaction since no national body need be consulted. On the other hand, research of both systems reveals little evidence supporting a conclusion that either system is actually better than the other in these respects. The British system operates through a regional and local network, all linked to the national administration by telephone

and electronic communications. These factors in combination with a reduced traffic requirements - roughly, one-fourth the population and even less overall distances involved than the United States, and sufficient Departmental latitude to authorise departures from or expansion of normal procedures when needed pending formal London approval, appears to essentially equalise the ability of both nations to respond quickly and effectively to circumstances of varying complexity and pervasiveness. In any case, available evidence does not support a conclusion as to which system offers greater advantages than the other in terms of reaction capability.

British-American Contribution Procedures

Comparison of British and American unemployment insurance contribution procedures reveal two major points of difference. First, the British system requires shared employer-employee contributions; by contrast, within the American system only three states have opted for shared contributions, the other forty-seven require them solely from employers. Second, in Britain such contributions are not maintained as a separate revenue item, but pooled into one DHSS social security fund; in the United States they are maintained as a distinct and separate fund at both state and federal levels. Directly related to employer contributions in the United States is a feature called "experience rating", which is of sufficient importance to merit separate treatment later in this chapter.

In Britain, the concept of shared employer-employee contributions was never the cause of general controversy or parliamentary debate. In fact, the actual debate and passage through Parliament of the

whole final draft of Part II (unemployment insurance) of the bill which became the National Insurance Act of 1911 is, according to Gilbert, "almost without interest"⁵. The lengthy parliamentary struggle over Part I (health insurance) eclipsed discussion of unemployment insurance. Fraser corroborates this, stating in substance that only as an internal Labour Party issue is there evidence that the shared contribution concept was the subject of dispute⁶. Yet this same subject evoked considerable conflict in the United States prior to and during Congressional debate on Part II (unemployment insurance) which ultimately became the Social Security Act of 1935.

This issue of contribution sources constitutes an appropriate and convenient vehicle with which to illustrate in some detail a major dichotomy between British and American procedural concepts.

In Britain, the planning, drafting and development of the insurance bill had been in the works long before it finally was introduced to Parliament in 1911. As early as 1908, Winston Churchill and Sir H Llewellyn Smith had made preliminary proposals on suitable language for a bill in response to Lloyd George's insistence that such legislation be brought to Parliament⁷. Evidence shows that from the outset the concept of employer-employee shared contributions was incorporated into these and later versions of the bill. No evidence has been found that contribution sources which would exclude employees was ever envisaged by Government drafters.

In a speech to the British Association in Sheffield on 1 September 1910,

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5. Gilbert, Bentley B. The Evolution of National Insurance in Great Britain. London: Michale Joseph, 1966.
 6. Fraser, Derek. The Evolution of the British Welfare State. London: Macmillan, 1975.
 7. Ibid.

Sir H Llewellyn Smith outlined reasons for enactment of unemployment insurance and the main principles upon which the bill was founded: insurance must be compulsory, must be contributory, and must provide a maximum limit to the amount of benefit. He concluded his remarks by saying: "Our analysis, therefore, leads us step-by-step to a national contributory scheme of insurance university in its operation."⁸

Beveridge mentions nothing in any of his works of an alternative employer-only, or employee-only source of contribution. Harris, in his 1977 biography of Beveridge, provides the most recent reflection of Beveridge's endorsement of the shared source concept: "In January 1911 the details of the health scheme had still to be worked out, and a wide range of private interests had still to be placated. Unemployment insurance on the other hand had been ready for legislation for nearly two years. Its administrative structure had been carefully worked out, and arrangements had been made to involve both capital and labour in the collection of contributions and management of benefits".⁹

Formal opportunities for Members of Parliament to raise questions concerning any of the procedures drafted into the bill began on 4 May 1911 when Lloyd George, as Chancellor of the Exchequer, introduced the bill on the floor of the House of Commons. "I think it must be a relief to the Members of the House of Commons to turn from controversial questions for a moment to a question which, at any rate, has never been the subject of controversy between the

8. Smith, Sir H Llewellyn. Speech to British Association, 1 September 1910, as reported in The Times, 2 September 1910.

9. Harris, Jose. William Beveridge. Oxford: Oxford University Press, 1977 (underscoring for emphasis).

parties in the state. Those parties are in general agreement as to the evil which has to be remedied...general agreement as to its urgency...general agreement as to the main proposals upon which the remedy ought to be based..."The Bill involves a compulsory deduction from the wages of all the employed classes who earn weekly wages... there will be a contribution from the employer and a further contribution from the state..."¹⁰

The Times referred again to the non-controversial nature of Part II on November 1911¹¹: "An examination of the two shapes of the unemployment insurance scheme - as it went to the Standing Committee and as it has now come out - confirms the opinion expressed in these columns yesterday as to the care with which the scheme has been framed...though the opportunities for discussion were unlimited, the changes made prove to be very small". The changes mentioned raised benefits from 6 to 7 shillings per week, and reduced minimum age eligibility from 18 to 16 years.

When the Parliament cast its final vote on 4 December 1911, the bill passed with 188 ayes against 156 noes, with the requirement for employer and employee shared contributions intact.

The tranquility with which the bill was received by the Commons and by the public generally was not duplicated within the ranks of the Labour Party itself. There, the leadership was split and the issue of who should pay - or share - the cost. Grayson, Hall

10. Parliamentary Debates. Volume XXV, Fifth Series (May 1-May 19, 1911).

11. The Times. 18 November 1911.

and other "malcontents on the left of the labour alliance"¹² were prepared to oppose the bill outright because of their dislike of the contributory feature. The Social Democrats joined them against the contributory principle as it concerned workers, and condemned it as 'mean, petty, and ridiculous'.¹³ Finally, the official Labour position was announced in two Labour Leader articles and, in spite of continuing intra-Party opposition, advocated acceptance of the shared contributory concept to avoid the tendency of lower-paid workers to regard themselves as objects of state charity - as was feared would be the case if workers were not required to contribute to their own unemployment benefit insurance. When the contributory issue finally came to vote within the Labour Party, the shared employer-employee concept was approved by a vote of 223 to 44¹⁴. Some internal Party agitation against worker contributions continued for a time, but effective, widespread resistance to it faded as the promise of the bill's overall advantages became better publicised and understood by the rank and file workers.

Almost a quarter-century later in the United States, during the planning discussions and official debates in the Congress on whether benefit funds should be financed through employer-only or shared contributions, there were more signs of visible controversy than had been the case in the United Kingdom. Unlike the UK concept, employer-only contributions appeared as the favoured mode by which benefit funds should be established, although the subject

12. Brown, K D. Labour and Unemployment, 1900-1914. Newton Abbot, Devon: David & Charles, 1971.

13. Ibid.

14. Labour Leader. 16 and 22 June 1911.

was classed as a "secondary issue".¹⁵ In 1934, at the height of the depression when the effects of unemployment were so painfully evident throughout the nation, President Roosevelt created the Committee on Economic Security which, in turn, appointed a 23-man Advisory Council to draft a viable piece of unemployment insurance legislation. The Council was composed of prominent members of both labour and management ranks. Within the Council, after extended discussion, a majority voted against employee contributions and settled on the employer-only option, but left to states the choice of whether to include employees as well.

Records of Council meetings held in November 1934, indicate that a 5-member bloc of its employer-members felt so strongly in favour of shared employer-employee contributions as a compulsory provision of the bill that they wrote a separate dissenting opinion advocating them. This bloc believed that employee contributions would "make it possible to have more adequate benefits, as well as a more effective administration, since the workers would have a clearer conception of their responsibilities".¹⁶ Although Council members agreed that, on the surface, employee contributions added to those of the employer would be seen as a fairer method, and would make employees more conscious of the fact that such benefits do not appear magically, two important disadvantages were outlined as present in a shared system. First, it was argued that workers could not afford the deduction from wages that a shared method would require since such a deduction would be in addition to that required by the social security portion (Part I) of the bill. Second,

15. Haber W and Murray, M G. Unemployment Insurance in the American Economy. Homewood, Illinois: Richard D Irwin, Inc., 1966.

16. Economic Security Act Hearings. House of Representatives, 74th Congress, 1st Session on HR 4120, 22 November 1934.

workers would consider that their contributions gave them license for elective periods of absenteeism from the regular work force in order to enjoy the benefits which they had already paid for. Even a few American labour leaders subscribed to the shared contribution concept on the grounds that an employer-only system would enable employers to exert greater influence on legislators than would be the case if employees were also a part of the funding base.¹⁷ According to a later account by a Committee member of the in-fighting which took place on this and other issues, the "secondary" issue discussed above faded in the face of the attractive feature that credit against the federal tax would be allowed employers for contributions made under a state unemployment compensation law, provided the state subscribed to basic federal requirements in the administration of that compensation. In the final debates in Congress prior to passage of the bill in 1935, the unemployment insurance (Part II) portion appeared to hold interest only because of the possibility that it might be declared unconstitutional. After Attorney General reassurances on the point¹⁸, Part II glided through the Congress with as little questioning and open opposition as had been the case with its 1911 counterpart in the British Parliament. As mentioned previously, the federal unemployment insurance law permits employees to be taxed at the option of the state, yet only nine states have ever done so, and only three

17. Adams, Leonard P. Public Attitudes Toward Unemployment Insurance. Kalamazoo: The Upjohn Institute, 1971.

18. Eliot, Thomas. "The Social Security Act - 25 Years After". Atlantic Monthly, August 1960.

Alabama, Alaska and New Jersey - continue to do so now¹⁹.

Since the Act's passage, records do not indicate any concerted attempts for federal action to change the option of each state to choose between employer-only and a shared contribution system, nor is there any indication of interest in the matter at this time. Employers in certain states (Ohio, Hawaii and Colorado most recently) have made noises in that direction through various businessmen's associations, but no evidence has been found of national ground-swell in its favour.

Comparison of the British and American system of funding unemployment benefits makes clear that neither nation has modified its original legislative concept. Britain adheres to shared employer-employee contributions just as strongly as the USA (in all but three states) appears to support employer-only contributions. In Britain, unemployment benefits are funded as part of the overall national insurance contribution. Lacking a separate identity, contributions toward these benefits appear to generate little stir. The shared nature of contributions is perceived as a fair system by the British people. American employers in various states raise the issue from time to time, but there is no unified lobby in the national Congress pressing for adoption of a compulsory shared system. Without question, there is a palliative effect exerted on American employers'

19. In Alabama and New Jersey, employees are taxed in addition to their employers on the first \$4,200 received from one or more employers in a calendar year. In Alaska, employees are taxed on the first \$7,200. Employee contributions are deducted by the employers and remitted with their own contributions to the state agency. In Alabama the employee rate is 0.5% (employer's rate is 3.6%) and is paid only when fund is below a state-established minimum amount. In Alaska, the employee rate is 0.6% (employer's 4.0%); in New Jersey employees pay 0.25% (employer's 4.6%). Source: US Department of Labor, Bureau of Labor Statistics, 1977.

militancy on this issue because of the credits allowed them against up to 90 per cent of their federal tax for contributions made to state unemployment benefit programmes. In the absence of such a tax credit, it seems likely that American employers would seek more aggressively to modify the law so as to require employees share the costs of income maintenance for unemployed workers. The acceptance of long-standing custom on this point by employers and employees of each nation no doubt has some impact in retaining the status quo, although such influence is not susceptible to other than qualitative assessment. There is no reason to believe that either Britain or the USA will alter their current system of unemployment benefit contribution sources in the foreseeable future.

Funds: British Pooling; American Separate Identities

Unemployment insurance in Britain is one element of the total national insurance package administered by the DHSS through the DE, the latter agency in the role of providing direct-servicing to claimants. The Collector of Taxes, Department of Inland Revenue is the receiving agent for employer and employee contributions, which are remitted by each employer. Under this system, the employer withholds from each employee's weekly pay two types of contribution: weekly increment of annual income tax, and national insurance. Both employee and employer contributions are received by Inland Revenue, according to instructions published by that Department²⁰. This arrangement brings both income tax and national insurance contributions into the hands of the Inland Revenue. That office then breaks out

20. Employer's Guide to PAYE. London: Department of Inland Revenue. April 1977.

and transfers the insurance portion laterally to the DHSS which, in turn, provides funds to the DE for actual payment of unemployment benefits (see Figure 4.6). There is no budget formula governing internal apportionment or separation of insurance receipts among the sixty-odd types of DHSS benefits, except as may develop pragmatically. The insurance funds are thus pooled, allocated as required to the paying agencies - DE for unemployment benefits - and supplemented by government general funds in case of deficit. This system of pooling clearly lends flexibility to the apportionment process, since funds are not identified with pre-determined expenditure limits for each specific benefit. Yet, one speculates, the advantage of internal flexibility may be offset by difficulties of control. Without formalised guidelines for benefit-by-benefit disbursements, administrators may become less exigent in scrutinizing claims filed and ~~applying~~ verification procedures before authorising payment. As a consequence, over-payments and unwarranted payments may occur over a period of time which, when ultimately revealed, become hot issues in Parliament and in the press. Just such a hot issue was precipitated by the Ninth Report of the Committee of Public Accounts, published 29 September 1977. This same Report is discussed in conjunction with "Attitudes" later in this study.

In the United States, unemployment insurance contributions are maintained separately from all other funds at state and national level. Employers make quarterly remittances to the state tax office where they are credited to each employer's account in the state unemployment trust fund. Each state then deposits that part of such credits due the federal government²¹ to individual state accounts

21. Explanation of "credits due the federal government" is included under the section of this study titled "Experience Rating".

in the Federal Unemployment Trust Fund (FUTF) in Washington.

There, these credits flow into three sub-accounts: an employment security account, for administration of federal-state job placement programmes, the federal unemployment account, to provide non-interest bearing loans to states with low reserves from which to pay benefits²²; and an extended unemployment compensation account, to reimburse states for the federal share of federal-state extended benefits during periods of unusually high state unemployment (see Figure 4.7). Use of these sub-accounts points up a greater rigidity of American allocation controls compared with those in the British system, and the corresponding lesser flexibility to re-apportion funds during periods of greater need in one sub-account area over another. Such internal re-apportionment under US federal accounting procedures requires justification before the FUTF approving authority, rarely and grudgingly given. The effect of these tight controls is to require US budget planners and administrators to "live with" their estimates of dollar expenditures to the extent they are finally approved throughout a given fiscal year. Provision for routine mid-stream re-allocation of funds to meet unprogrammed requirements is not a well-oiled part of the system. While these constraining realities may compel US budgeters toward meticulous forecasting techniques, they do not provide reasonable latitude or machinery for shifting of funds in the face of necessity.

22. Since 1973, most states have been obliged to use federal loans to assure continuation of benefit payments, due to the rapid rise of general unemployment. The state of Hawaii, for example, owes the federal fund \$22.5 million.

Handling of Administrative Paperwork

An interesting comparison surfaces on the subject of British versus American paperwork operations. In the USA, each state designs and publishes its own administrative forms for use by employers in maintaining their records and to forward their contributions. An illustrative list of such forms used currently in the state of Hawaii is at Appendix 4-A. This list applies to unemployment insurance only, thus is shorter than that at Appendix 5-B, which applies to Britain where employers must apply the full catalogue of income tax and national insurance record and claim forms. Yet, just as with his British counterpart, the American employer's administrative load does not end with unemployment insurance. American employers are obligated to deduct from each employee's pay a number of state and federal taxes, and forward them according to a fixed time schedule to the appropriate tax office. Each of these demands a different set of forms for completion under its own set of instructions. For example, the American employer services each employee by withholding and forwarding state income tax to the state tax office, federal income tax to the federal Internal Revenue Service, unemployment insurance to the state unemployment insurance office, federal and state social security (old age pension) taxes separately to federal and state receiving agencies, private group medical and dental insurance premiums, if any, and any additional employee-authorized payroll deductions such as bank allotments, life insurance premiums, annuities, bond purchases and the like to specific addresses. In terms of administrative complexity and man-hours required from the employer and his staff - at employer expense - for discharge of insurance and service-related obligations to employees, the American employer appears to pay a heavy price to

preserve the outward signs of state sovereignty while responding to federal mandates. Sears Roebuck recently complained that no less than 72 separate forms were used annually to satisfy the aggregate of local, state, federal and employee-elected administrative requirements for each of its thousands of employees. By contrast, the 25 forms used by British employers uniformly throughout the United Kingdom reflect a more efficient, co-ordinated and less costly administrative pattern.

Experience Rating

"Experience Rating" is a procedural area in the American system for which there is no parallel in Britain. Experience rating places the major burden of financing unemployment benefits on those employers who achieve the least stability within their workforce; correspondingly, employers who maintain employee equilibrium pay a reduced payroll tax.

When the whole subject of unemployment insurance was being debated prior to the enactment of the Social Security Act of 1935, three arguments supported inclusion of experience rating as an element of the proposed legislation. First, based on the generally accepted concept in the United States that employers should finance unemployment benefits, experience rating would exert direct pressure on the individual employer to manage his business in such a way as to avoid turbulence in this workforce. Second, experience rating would give employers a collateral interest in identifying and preventing claimant abuses to the system. Third, since unemployment benefits are a part of the true, social costs of production, prices to consumers

should reflect these costs as integral parts of a free, competitive price system. According to Joseph Becker: "It is certain that the cost of unemployment benefits constitutes an added incentive to stabilise employment, and it is certain that some employers have some degree of control over the pattern of employment. It is therefore certain that experience rating is a force, pervasive and continuous, working in the direction of employment stabilisation. But the exact strength of this force is a matter of conjecture. All that can be said is that, other things being equal, it is better to have a force which works with rather than against the economy in the pursuit of full employment".²³

There were counter-arguments as well which pointed up certain undesirable aspects of experience rating: first, employers would have just as much incentive to keep benefit levels low if payroll taxes were uniform instead of variable, and might encourage greater unity among employers because division between high cost and low cost employers' experience rating would not exist; second, experience rating poses a threat to state unemployment fund solvency, since each state enjoys freedom to vary its tax rates. High unemployment coupled with an otherwise stable workforce might deplete state benefit funds faster than the reduced tax base could provide replacement input. Just such a situation has occurred in many states since 1973.

In this connection, it should be remembered that the Social Security Act does not compel, but permits, experience rating to be used by the states. In fact, not all states took advantage of

23. Becker, Joseph M S J. Twenty-five Years of Unemployment Insurance. Kalamazoo: The W E Upjohn Institute, 1961.

that option until 1948 - when Mississippi amended its law to include it.

Operation of experience rating by states, as outlined in the federal legislation, allowed employers a lowered rate of contribution if the tax rates were based on not less than 3 years of "experience with respect to unemployment or other factors bearing a direct relation to unemployment risk". The 3-year requirement was changed in 1954 to permit 1-year's experience, but 14 states still observe the original 3-year term within their specific state laws. The state of Delaware requires a 4-year experience term. Within that period, the employer must accumulate and maintain in his state's Trust Fund account a specified reserve sum before his rate is reduced; then rates are assigned by the state tax office to employers at the beginning of each subsequence tax year. Currently, all state systems provide that no employer will be granted a rate reduction unless over the years he contributes more to the fund than his workers draw in benefits. At Appendix 4-C is an excerpt from the Hawaii employers' handbook illustrating operation of experience rating in that state.

Experience rating remains a highly controversial topic on the American scene. It is also very firmly established practice. There appears little indication that either the practice or the principle governing it will be modified to any significant degree in the foreseeable future. As an incentive measure for employers to manage effectively, in order to reduce seasonal fluctuations in numbers of workers needed through changes in marketing, purchasing, production and distribution policies, experience rating is expected to endure despite periodic murmurs advocating mutation.

British and American Eligibility and Related Standards

This procedural area includes many points of agreement between the British and typical American state systems concerning claimant eligibility and related standards. The British system has the distinct general advantage of ready manageability due to its uniform application throughout the United Kingdom. Within the United States, states which participate as partners in the federal-state system - all states currently do so - national standards are imposed under the Social Security Act primarily in the area of financing. Hence, in the USA each state has established different standards for benefit eligibility in keeping within-state views and conditions. Differences range from slight to marked, but all standards are common as to type and purpose.

In both nations there is measurement of the worker's demonstrated attachment to the labour force as an element of eligibility for benefits. Currently, in Britain, that element is determined for the standard rate of benefit by the requirement that the claimant must have contributed on earnings of at least £750 during the "relevant tax year"²⁴. In the USA, states differ in the amount which a claimant must have earned and the period of such earnings; generally, total earnings required range from \$150 (Hawaii) to \$800 (Illinois) during the course of the previous four calendar quarters.

24. The "relevant tax year" ends on 5 April before the "benefit year" in which the period of interruption of employment which includes a claim begins. A "benefit year" starts on the first Sunday in January of each year. Source: DE and DHSS documents and interviews.

Both nations require that a claimant be able, willing and available for work and free from disqualification for such acts as voluntary quitting without just cause, misconduct connected with the work and refusal of suitable work. Within the above requirements, both Britain and all states within the United States oblige claimants to register at their nearest Employment Service Office (same title in both countries) as a declaration of being "able, willing and available". These Employment Offices serve as a clearing house between employers and job-seekers for the purpose of matching job vacancies with qualified workers who are unemployed. Some American states provide that a claimant must be available for "suitable" work; others incorporate the concept of suitability for the individual claimant in terms of work in his usual occupation, or for which he is reasonably fitted by training and experience. In Britain, suitability is defined officially as a job in the claimant's normal line of work. However, if unemployment persists, other types of work may be declared suitable provided wages and working conditions are acceptable to the appropriate trade union covering the type of work concerned.

Variations in the interpretation of "suitable" work by individuals, employers and labour organisations make this term a highly volatile property, subject to parochial definition. Labour union involvement in determination of "suitability" appears more the rule in Britain than in the United States, where individual state law sets forth the conditions of "suitable" work.

Another area of general British-American agreement is that claimants must file for benefits in person and that they must confirm their continued eligibility to the UBO at designated intervals. In

Britain, a concession to this rule is made when a claimant lives more than 10 miles from his UBO; in such cases claims may be handled by mail. Otherwise all claimants are required to file the initial claim in person and report back to the UBO each week at a specified time and day for "signing" to declare continued unemployment status and eligibility to receive benefits. A test of "fortnightly signing" within certain UBO jurisdictions in Britain was conducted in 1977-78 to determine the feasibility of its general adoption. Under the test system, claimants signed in person at the UBO at two-week intervals; they were paid benefits for one week in arrears and one week in advance. Commenting on the test, officials in London and Bristol (the latter a region in which several UBO's were involved in the test) applauded the advantages of less daily traffic congestion in each UBO, while expressing anxiety over the prospect of increased fraud because of the one-week-in-advance payment feature. Without exception, however, they thought that in times of high unemployment the fortnightly signing offered sufficient practical advantages to over-ride the risk of increased fraud.

Similarly, in many American states there are UBO premises too small to accommodate the heavy claimant traffic that high unemployment brings. Most such states have long since (1973) modified weekly signing to two-week intervals. Of these, almost all have gone to mail re-confirmation of unemployment status. The lack of control in such a system is readily apparent. After a time, according to responsible benefits officials in California, New York, Mississippi, and Hawaii, verification of claimants' continued eligibility becomes virtually perfunctory and fraud may go undetected for a long time before it is discovered. Administrators in both Britain and the United States agree that fortnightly signing enables them to

concentrate on those claimants with special problems, while routine claims are processed on the basis of good faith. The administrative trade-off in which efficient processing during periods of high unemployment can be assured only by accepting a greater risk of fiddling by claimants appears common to both nations.

Similarities: Disqualification

Aside from minor administrative cosmetics, both the British and American state systems are in agreement on the following major conditions²⁵ which either deny or delay benefit payments to claimants when they:

- a. will take only certain kinds of work, request more wages than others are being paid for the same kind of work, will work only for certain employers and only during certain hours or days of the week.
- b. are sick or otherwise unable to work, unless supported by a doctor's certificate to that effect.
- c. quit without just cause, refused or failed to apply for or accept suitable work.
- d. are out of work because of active participation in a labour dispute, or are receiving benefits under another employment security law.

25. Source: analysis of relevant British and American claimant regulations, supplemented by interviews with appropriate officials. British: Leaflet NI 12 (January 1977) and Leaflet NI 196 (April 1977) and related forms; Interviews: ESA and UBO Trowbridge, Bath, London (June-September 1977). American: state regulations for New York, Mississippi, Colorado, California, Illinois and Hawaii; Interviews: benefits agencies in Buffalo (NY), Jackson (Miss), Denver and Aspen (Colo), Sacramento (Calif), Elgin (Ill) and Honolulu (April 1976-May 1977).

Significant Differences: Disqualification

Significant differences exist between the British and typical American state systems on the following points:

- b. Imprisonment. In Britain, disqualification is automatic when a claimant "is detained or imprisoned in legal custody". Although like disqualification is usual in the United States, it does not appear as part of formal regulations in every state. Interviews reveal that the concept in some states is to insure income maintenance for prisoners' families while short (up to 3 months) sentences are being served by the claimant. British law, therefore, appears uncompromising in automatically disqualifying claimants and their families from unemployment benefits when imprisonment is involved. However, the British system provides for prisoners' families under a different benefit pattern, that of Supplementary Benefits among others.
- b. Absence from home, thus unavailable to accept job offer. In Britain, absence from Great Britain, Northern Ireland and the Isle of Man may^{be} entitled benefits for up to 4 weeks provided claimant is absent~~for~~ the purpose of looking for work in another country of the European Economic Community, provided further that permission to do so has been obtained from the appropriate UBO. All US states disqualify claimants definitively who are absent from their official domicile at any time during a week they are claiming benefits, except in the case of hospitalisation.

Employer Non-Compliance

Disqualification of claimants from receiving unemployment benefits is an element of both the British and United States systems. Earlier in this study some of the salient reasons and conditions of claimant disqualification have been compared. Further sanctions under criminal law applicable to claimants suspected of fraud are covered in a later part of this study, along with those which apply to employers involved as accessories to collusion. Although the thrust of eligibility and compliance regulations in both countries clearly points to the claimant as a more likely potential wrong-doer than is an employer, each country has legislation for subjecting the latter to punitive discipline. Comparisons in the following paragraphs illustrate differences between British and American specific penalties which may be applied against employers who offend against administrative regulations; mentioned too is the relative severity of those penalties on the employer.

As stated earlier, the British system requires employer and employee contributions for income tax and national insurance to be remitted monthly by the employer to the Department of Inland Revenue. That Department then transfers the national insurance portion to the DHSS which, in turn, allocates unemployment benefit funds to the DE for payment. Inland Revenue and DHSS each publish instruction manuals for employer use in satisfying the full range of administrative procedures, including records maintenance, calculation of deductions and remittance schedules.

With respect to employer penalties, the Inland Revenue Guide²⁶ places

26. Employer's Guide to PAYE (Chapter 1, paragraphs 2 and 3).
Department of Inland Revenue, April 1977.

in top priority the declaration that it is the employer's duty to deduct income tax and that he "may incur liability to penalties" through failure to do so. Following immediately is assertion of the right by officers of the Inland Revenue to inspect the employer's records to insure that the correct amounts of tax are being deducted and paid over to the Department. Employers are required to pay contributions within 14 days after the end of the month during which the deductions should have been made. This Guide, however, does not specify the penalties to which a recalcitrant employer may be subjected. Such penalties appear in locally-published forms as part of a formal letter requesting immediate payment of delinquent contributions.²⁷

Employer non-compliance typically elicits a reminder from the Department, or several reminders if contributions are not forthcoming. In extreme cases penalties up to £50 may be levied by Commissioners of Inland Revenue or a court and, if the failure continues after such levy has been made, a further penalty of up to £10 per day may be imposed. In cases where an employer furnishes incorrect information in connection with investigation of non-compliance, a penalty of up to £500 may result.

DHSS: Obstruction of Inspectors and Failure to Remit

The DHSS is forthright in the specific penalties which may be imposed for employer failure to comply with instructions contained in the DHSS "Employer's Guide to National Insurance Contributions". Aside from the use of the word "must" in listing employer actions

27. Form P42 (Bath) and interviews with Collector of Taxes (Bath).

no less than a dozen times in the overall text of these instructions, Part 16 of that publication ("National Insurance Inspectors, Offences and Confidentiality") describes in detail the power of national insurance inspectors to enter employer premises for examination of any pertinent documents and interrogation of personnel concerned with assuring employer compliance. Penalties imposed on conviction of obstruction of inspectors or failure to pay contributions are restricted to monetary fines of up to £50 for each offence. Further, any person who refuses or neglects to answer questions, give information or produce documents is liable to a fine of £10 for each offence. These fines are, of course, levied in addition to the requirement to pay in full any national insurance amounts due.

Delayed Employer Responses to UBO Queries

There is another area of employer non-compliance which should be discussed in this general area, that of excessive delay or wilful refusal by employers to respond to UBO queries relevant to benefit claims filed by former employees. Within 24 hours after a claimant files for benefits, the UBO sends a query form to the former employer for details on duration of claimant's employment, reason for leaving, and the like requesting that employer return the completed form as soon as possible. No specific time limit for reply is stated in the query (see Appendix D), although a week to ten days is considered reasonable by officials in those UBO's contacted in this regard²⁸. If an employer does not reply within this informal time-frame, the UBO makes one or more follow-up reminders by letter;

28. Bath, Bristol, Trowbridge, Reading, Inverness, Swindon, London.

ultimately a personal visit to such an employer is made by UBO personnel in an effort to elicit the necessary information on which to base claimant eligibility for benefits²⁹.

There are no formalised penalties imposed on employers who either neglect or refuse to supply information on former employees to UBO's. UBO staff personnel in seven different locations³⁰ stated, in substance, that when employers fail to co-operate with UBO's, only informal means exist by which compliance may be achieved. These means consist of "dropping the word" to an employer that continued unwillingness to supply information may lead to a detailed examination of his records by DHSS inspectors. The implied threat is clear that such an examination can be expected to reveal inaccuracies which, even if no penalties are appropriate, will certainly cause some disruption to normal administrative routine and discomfort to the employer. An impending inspection in itself constitutes a threat since most employers feel it is virtually impossible to maintain contributions records in such pristine condition as to be unassailable in any way by a determined inspector.

Discussion of the lack of formal means to insure employer response with UBO personnel and with DE staff at Departmental level indicates general toleration of this situation. The usual reaction was that current informal means - friendly persuasion - appear sufficient to bring recalcitrant employers into line, therefore why legislate a formal penalty? These personnel indicate further that not much trouble is encountered in this area, that employers as a group

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29. Benefits to claimants are paid on the basis of information supplied by them on the claim until verification is received from UBO query to employer. Thus, claimants are not penalised by employer failure to reply.
30. Bath, Bristol, etc. loc. cit.

co-operate promptly with UBO queries. The salient point here is that, in the absence of legal obligation to respond to UBO queries concerning former employees, employers must be intimidated to do so in order that claimants' legal eligibility for such benefits can be verified. It is a paradoxical situation which currently requires border-line legal means to achieve a legal objective.

In the United States, penalties imposed on employers for failure to file or pay state or federal income tax are separate from the unemployment insurance contribution system. Such penalties are progressively more severe as the amount of tax due and duration of payment delinquency increases, and include heavy fines and/or periods of imprisonment at the outer end of the penalty spectrum.

With respect to unemployment insurance contributions, all American states levy specific counterpart penalties for the same general types of employer-non-complicant discussed under the British system.³¹ These penalties operate to oblige employer promptness in remitting contributions (quarterly, instead of monthly as in the British system) to the state agency and filing of Wage and Separation Reports to assist in verification of a former employee's claim for benefits. Each of these penalty areas is discussed briefly in the following paragraphs.

USA: Obstruction of Inspectors and Failure to Remit

Each state operates its own field audit system under which auditors

31. Obstruction of inspectors, failure to remit, and delayed replies to UBO queries.

examine all employers' accounts periodically. These accounts may be selected at random by industry, area, or employer. Records are audited in individual cases where there appears to be discrepancies in reporting. The penalties for employer "fiddling" to avoid payment of just contributions range from fines up to \$200, imprisonment up to 60 days, or both.

While there is some variance among the states on punitive measures employed against late-paying employers, a typical penalty levied in such cases is 10 per cent of the total contribution due plus interest thereon at the rate of two-thirds of one per cent on the total contribution and penalty amount for any month or fraction of a month during which an employer is delinquent. Such delinquencies date from the 21st day (in most states) following the end of a calendar quarter. The monetary impact of this penalty can be better appreciated by the following example of a delinquent employer whose workforce numbers 100 persons, each of whom is paid \$500 per month, on which the employer is taxed a per capita 3 per cent of gross earnings for unemployment insurance. Thus, a monthly payroll of £50,000, a quarterly payroll of £150,000 on which the tax is \$4,500 when paid promptly. If this employer is delinquent for 30 days before he pays the contribution, his penalty would be calculated as follows:

\$4,500 plus \$450 (10% of contribution) plus \$32.67 (interest on \$4,500 for the 30-day delinquency), for a total of \$4,982.67, of which £482.67 (£267) is penalty. For each day of lesser delinquency periods, there is an automatic fine of not less than \$10.

Delayed Employer Responses to UBO Queries

The administrative process in general use among the American states to verify eligibility of claimants through contact with their former employers is similar to that used in the United Kingdom. Each claimant's most recent employer is queried by the claimant's UBO for pertinent information regarding the conditions under which he left work. The employer must reply within 5 days (7 in some states) from the postmarked date of mailing from the UBO. Failure to do so causes an assessment of \$10 against the employer which, if reply is not immediately forthcoming, may be increased up to \$200 and/or imprisonment up to 60 days, or both. These penalties are in addition to charges made against the employer's account in the state trust fund equal to any over-payments which may have been made to the claimant due to employer's failure to reply promptly.

Comparison of the British system of employer penalties with that used typically in an American state reveals strong similarity in purpose, but marked difference in severity. The British system imposes monetary fines of up to £50 and makes no provision for imprisonment. A typical American state may impose monetary fines of up to four times the British maximum, and imprisonment up to sixty days - or both - for the same types of employer failure.

Emergency Procedures

Emergency procedures in the United Kingdom and the United States are similar in purpose: to respond promptly and effectively to mass layoffs which render unusually large numbers of workers jobless.

As is true with all other applications of the unemployment benefits system in Britain, emergency procedures are initiated in accordance with nationally-developed criteria. By contrast, each American state is left to develop procedures, or not, with which to handle sudden dramatic rises in claimant traffic as it wishes; there is no national criteria or mandate for state actions in such contingencies.

In Britain, the DE has maintained for many years a special branch (Branch "D") in the Manpower General Division which, among its other tasks, designs, reviews and updates procedures to meet the various emergency needs³². As concerns mass layoffs, Branch "D" envisions such possibilities primarily within a limited geographical area wherein some economic, labour or climatic condition has exerted a crippling effect on industry. Or, it may be of a more extensive, multi-regional nature causing wholesale layoff of workers from several industries. The most exaggerated case would involve runaway layoffs of a national scale. In any of these eventualities, there is an imperative need for continuity in income maintenance payments for those already on the register and prompt action to serve those just thrust into that status. Branch "D" does not publicise these emergency measures, feeling that to do so might suggest a sort of "doomsday" approach, or even be seen to precipitate an emergency situation.

While no national office exists in the United States to accomplish Branch "D"-type tasks, the same rationale and imperatives are acknowledged in substance by all states that they may react positively to mass claimant filing.

32. Interviews: Department of Employment, Manpower General Division, London, 27 July-19 August 1977.

Since "emergency" procedures are categorised as of temporary nature, neither the UK nor the USA benefit offices are staffed routinely with personnel sufficient in number to respond to needs which may never, or only infrequently, materialise. Both British and American³³ local administrators are authorised to hire part-time help as needed throughout the period of emergency. Long-term hires during extended period of high claimant activity require approval from higher authority - regional and national in the case of Britain, state-level in the case of American states.

The most recent test of emergency unemployment benefits procedures in Britain occurred in 1974 during the miner's strike. The British Government was obliged to impose severe restrictions on consumption of energy during the period of the strike. Electricity was reduced to a few hours per day for private homes; commercial enterprises were required to observe 3-day work weeks. Within a 6-week period after the beginning of the strike, unemployment skyrocketed from 900,000 to nearly 2,300,000. DE prior planning yielded emergency procedures which were called into play to cope with the overnight avalanche of claimants. The key element during that time was the enlistment of employers and their normal administrative staff as auxiliaries to local UBO's. For participating employers, additional energy was authorised each to compensate for that consumed by benefits-related administration. Effectively, each employer assumed the responsibilities of a branch-UBO for his own workers who were, by Government decree, unable to work for two or three days of the normal work weeks. According to DE sources in London, a collateral benefit accrued intangibly to the general employer image since he, in the eyes of

33. Interviews: Employment Security administrators: Hawaii, Colorado, New York, Ohio, Mississippi, Illinois, January-May 1978.

employees, was seen to respond to their needs during a time of crisis. The local UBO staff, augmented where necessary with temporary help, provided advice and training to employers and their staff personnel on an "as-needed" basis. Certain procedures were streamlined, and simplified forms used to render them more easily handled by non-professional administrators. The success of these emergency procedures was well-publicised in the media during and after the termination of the strike.

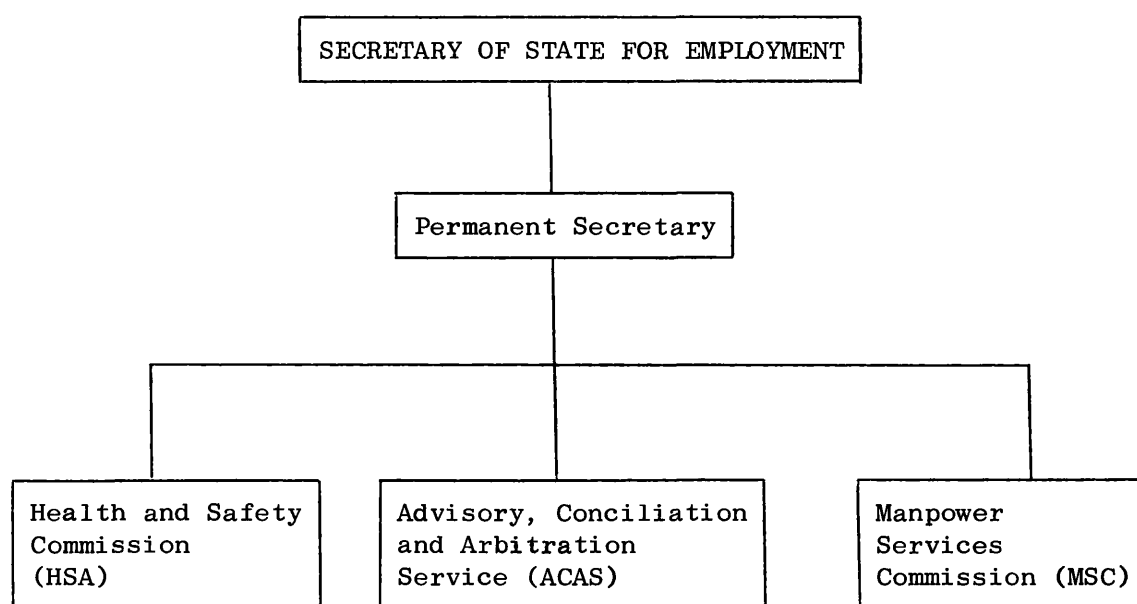
Not unexpectedly, the extent of detailed planning for emergencies in each American state is directly proportionate to the perceived likelihood that events in that region might require them. Although all states profess to have such emergency procedures on their books, at least three states³⁴ among the total number queried on this subject or visited directly were unable to produce written evidence of it. For example, the claims officer at Hawaii's Department of Labor and Industrial Relations searched the operations manual without success before stating that, although she was sure she had seen it at sometime in the past, it was not present then. Conversely, two of the other states queried, Colorado and Mississippi, produced detailed plans for coping with runaway claims traffic. Colorado's Robert D Hase³⁵ stated that his state occasionally experiences mass layoffs in the Colorado Fuel and Iron Works (CF&I), one of the state's largest employers. In February 1978, a layoff of some 3,000 workers was imminent and plans were activated to provide for the sudden rush of unemployment benefit claims. Colorado has 35 local offices throughout the state, organised into four areas under direction

34. New York, Illinois, Mississippi, Colorado, California, Nevada, Ohio and Hawaii.

35. Hase, Robert D, Director, Unemployment Insurance, Colorado. Letter, 27 February 1978.

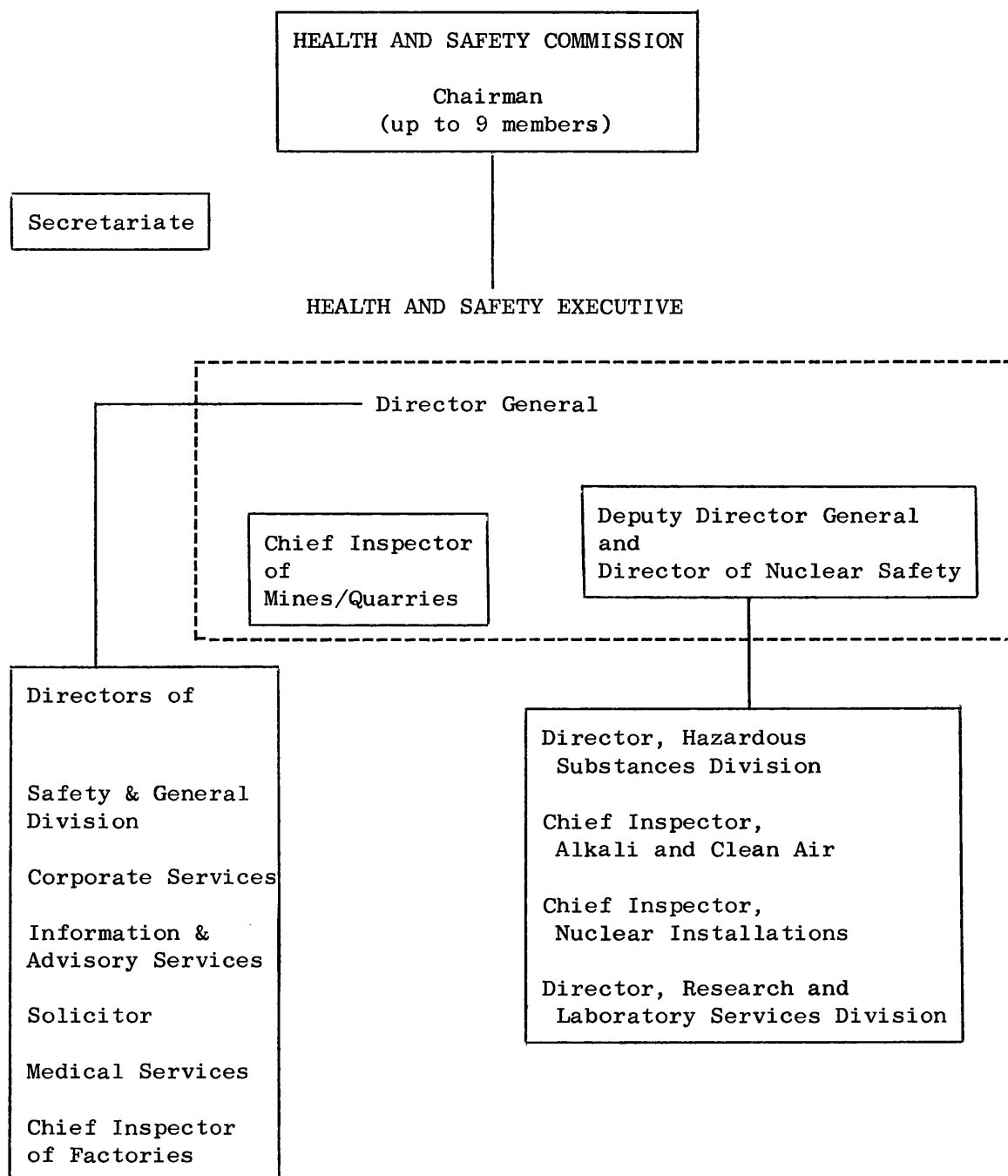
of four area managers. Through this network, local managers are generally able to receive advance notice of a CF&I-type situation. The Colorado emergency procedures, according to the state Director of Unemployment Insurance, are patterned closely after the British system: co-ordination effected with employer to implement a mass claims-taking effort at the job-site; claimant traffic flow is regulated into the Job Service Center (British UBO) in manageable numbers; claims forms and administrative procedures are reduced to bare essentials to expedite the formalities of the claims process and insure prompt payment. The emergency plan in Mississippi approximates closely the Colorado plan.

In sum, the British system is uniformly applied as needed throughout the Kingdom, with latitude accorded local UBO managers to use streamlined administrative procedures, and to insure prompt response to sudden increases in claimant traffic. Dissimilarly, the American system at the federal level has no provisions for such emergencies; each state develops them according to its own precepts. Purposes of such procedures are common to both nations. Thus, the salient difference between the British and American systems lies in the non-involvement on a formal basis of the U.S. federal government, and on the consequent non-uniformity of emergency procedures per se among the states. The American rationale is that, barring a repeat of the Great Depression, wholesale unemployment on a nationwide scale is so unlikely as not to require federal emergency plans.

Figure 4.1DEPARTMENT OF EMPLOYMENT GROUP ORGANISATION CHART (1977)

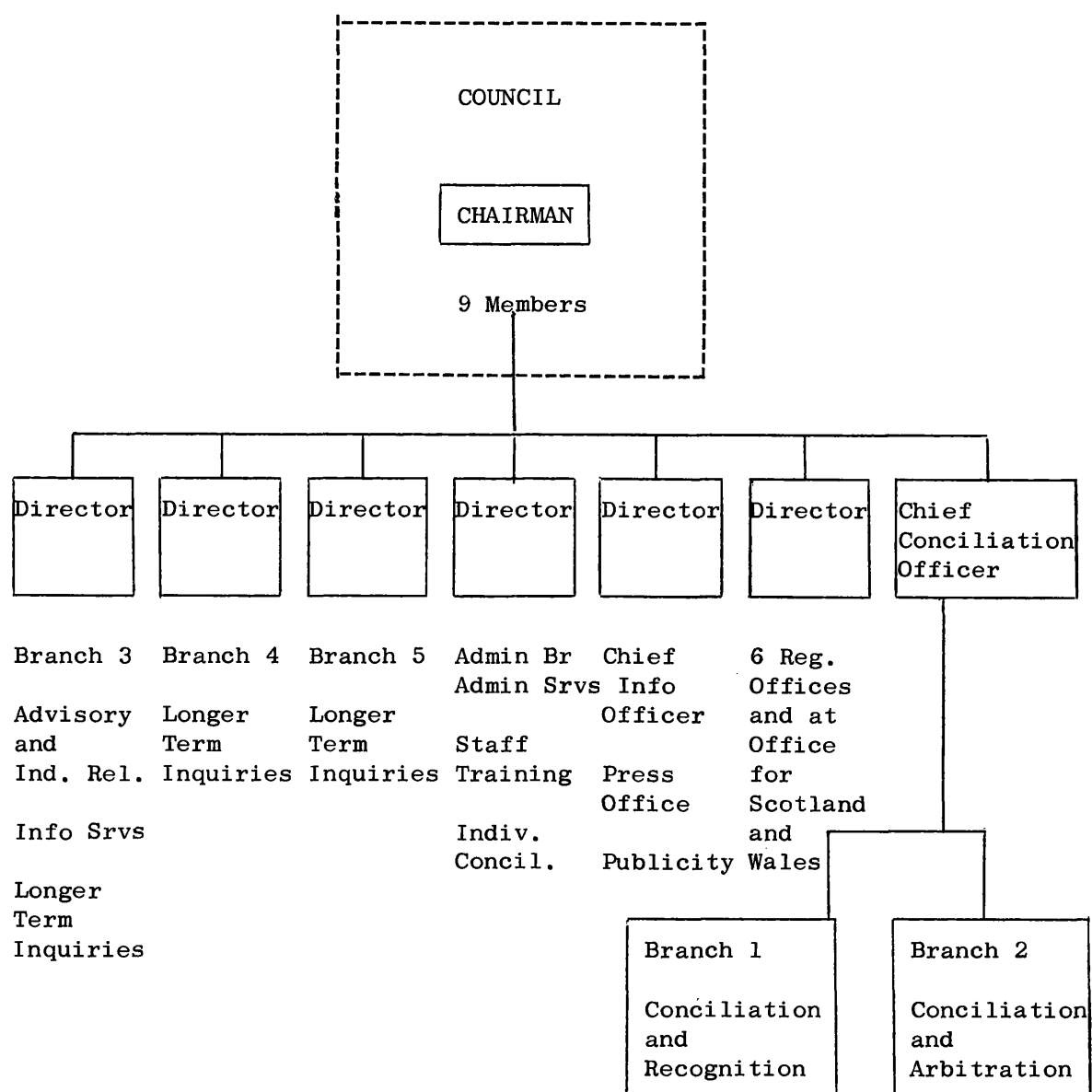
Source: A Guide to the DE Group. Information Directorate of the Department of Employment, May 1977

Figure 4.2



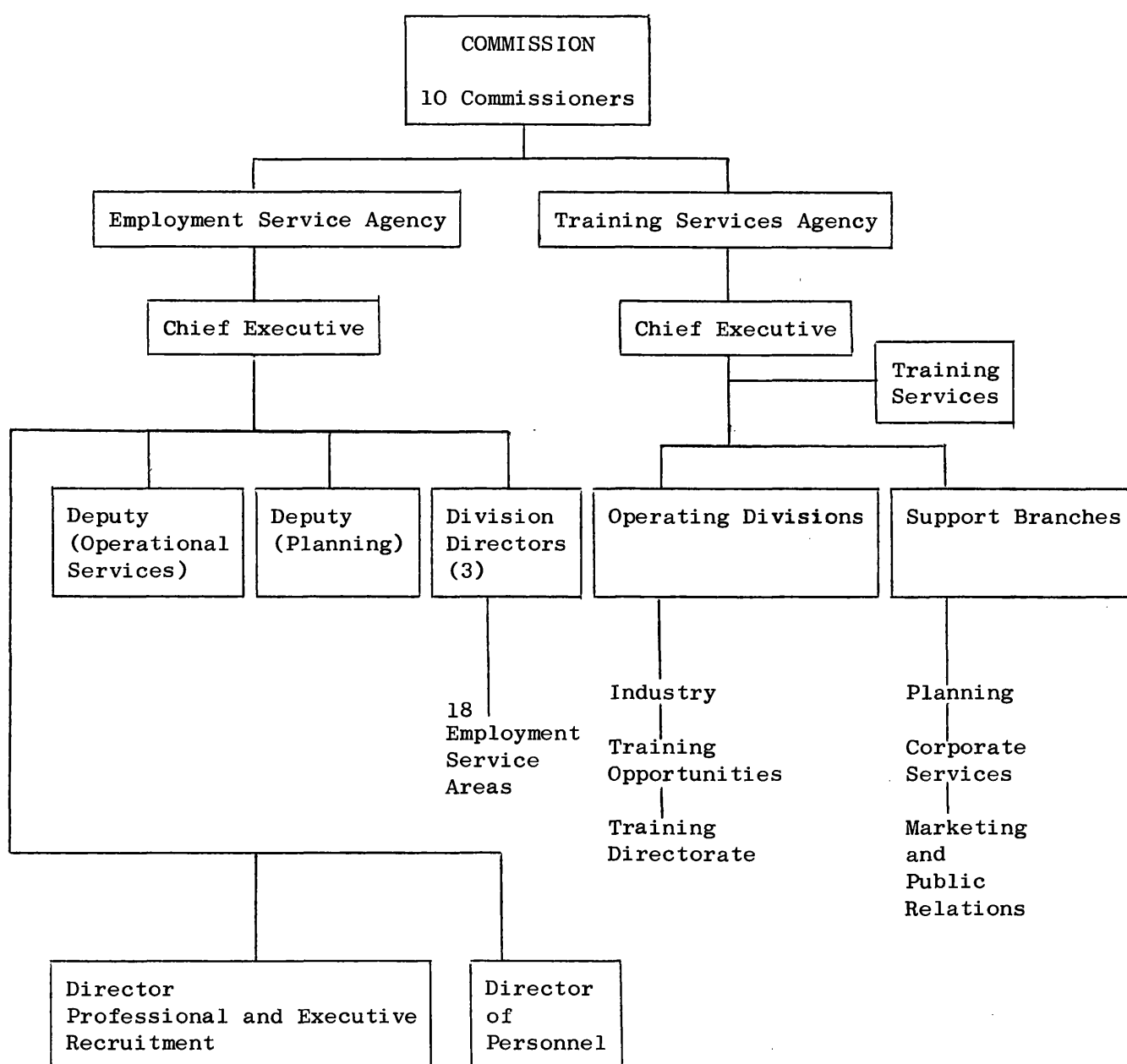
Source: A Guide to the DE Group. Information Directorate of the Department of Employment, May 1977.

Figure 4.3

ADVISORY, CONCILIATION AND ARBITRATION SERVICE (1977)

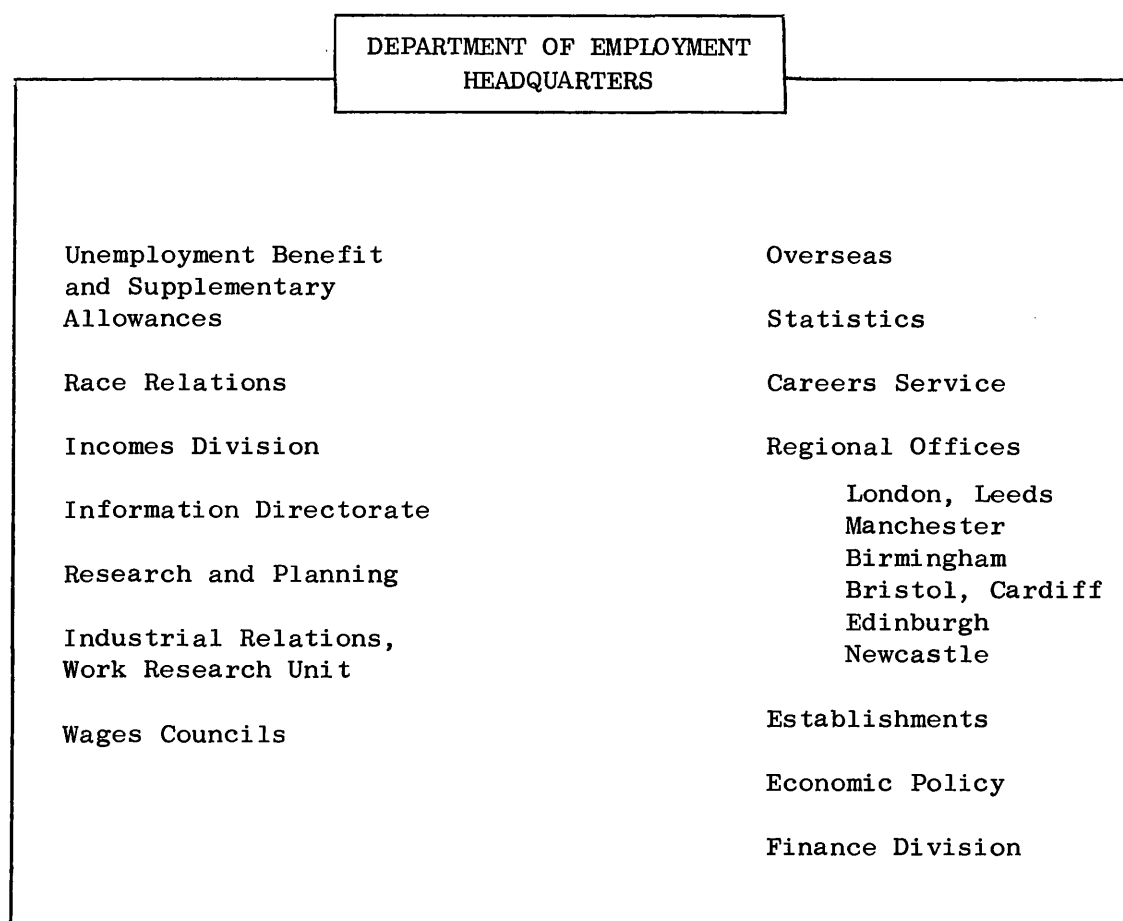
Source: A Guide to the DE Group. Information Directorate of the Department of Employment, May 1977.

Figure 4.4

MANPOWER SERVICES COMMISSION (1977)

Source: A Guide to the DE Group. Information Director of the Department of Employment, May 1977

Figure 4.5

ACTIVITIES AND FUNCTIONS RETAINED FOR DE-LEVEL ADMINISTRATION (1977)

Source: A Guide to the DE Group. Information Directorate of the Department of Employment.

Figure 4.6

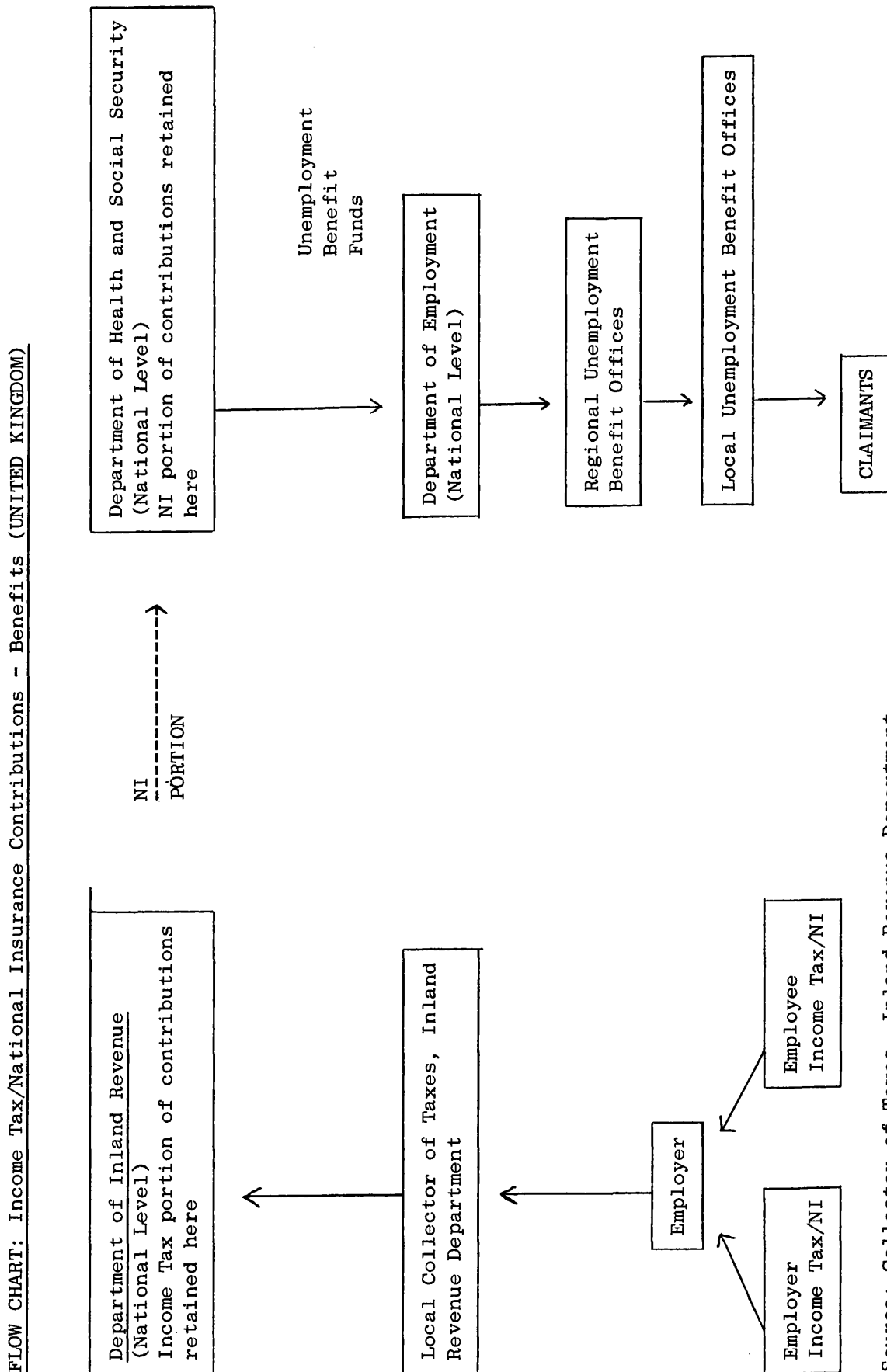
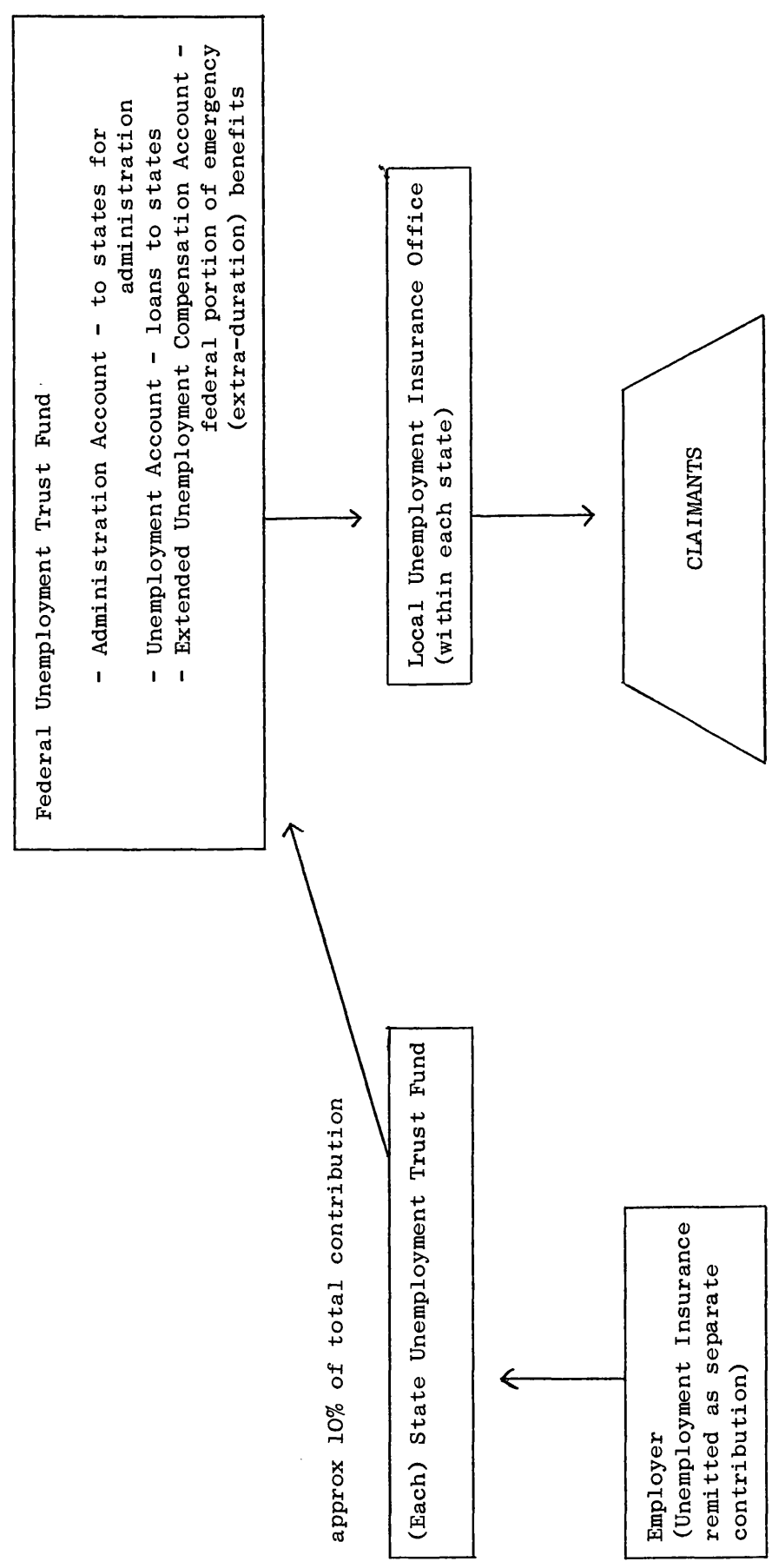


Figure 4.7

FLOW CHART: Unemployment Insurance Contributions - Benefits (UNITED STATES)



Source: U.S. Department of Labor: Manpower Administration: Various State References

LIST OF FORMS FOR USE BY EMPLOYERS IN THE STATE OF HAWAII

1. Report to Determine Liability (as a taxable employing unit).
2. Notice to Workers (information to workers on benefit rights
- displayed at the workplace by employer).
3. Quarterly Contribution Report.
4. Employment and Payroll Data of employers with Establishments.
on Different Islands or Engaged in Different Industrial
Activity (not unique to Hawaii since several states
include off-shore islands within state borders.)
5. Wage and Separation Report (due within 5 working days after
date of mailing from claimant's UBO).
6. Notice of Contribution Assessment or Credit Adjustment
(sent to employers for above purposes by UBO).
7. Claim for Refund of Contributions Paid (cash refund claim
by employers who have terminated their business
enterprise).
8. Waiver of Employer's Experience Record (for use in
relinquishing rights to pre-decessor's "experience
rating").

LIST OF FORMS FOR USE BY EMPLOYERS, INCOME TAX AND INSURANCECONTRIBUTIONS (UNITED KINGDOM)

1. Notice to employer of code or amended code.
2. PAYE Tax Tables and Deduction Cards.
3. Return of expenses payments, fees, bonuses for an employee
to whom P11D is not applicable.
4. Deduction Card (P11) for both weekly and monthly paid employees.
5. Return of payments, benefits to or for directors and certain
employees.
6. Deduction Card (P11S) where the arrangement in para 13 is
adopted.
7. Covering Form to be issued with Deduction Cards before
beginning of the year.
8. Covering Form to be used with Supplementary issue of Deduction
Cards.
9. Covering Form to be issued with Deduction Cards to a new
employer.
10. Remittance Card.
11. Payslip - employer's remittances.
12. Employer's requisition form.
13. Employer's Annual Statement, Declaration and Certificate.
14. Notes for guidance on completion of form P35.
15. Employer's Supplementary Return.
16. Students employed during vacation: declaration by employer
and statement by student.
17. Return of persons employed by non-resident employers.
18. Particulars of employee leaving, employer's certificate.
19. Particulars of employee for whom no code has been notified
to employer.

LIST OF FORMS FOR USE BY EMPLOYERS, INCOME TAX AND INSURANCECONTRIBUTIONS (UNITED KINGDOM) Continued

20. Employer's application for authority to refund tax exceeding £50 to new employee.
21. Authority to refund tax exceeding £50 to new employee.
22. Refund during unemployment: employee's application.
23. Employer's certificate of pay and tax deductions to be given to employee at end of year.
24. Notification of retirement of an employee to whom a pension is paid by the employer.
25. Pamphlet "Income Tax: Notes on Expenses, Payments and Benefits for Directors and Certain Employees".

Operation of Experience Rating in Hawaii

"...an employer may be eligible for a reduced rate if certain conditions are met. A new employer normally will pay the standard rate of 3.5 per cent unless he has taken over the experience record of a pre-decessor employer. When his account has been chargeable with benefits for the twelve-month period prior to his rate computation date (December 31st), he will be eligible for a reduced rate. Depending upon the condition of the Unemployment Trust Fund, one of the three contribution schedules will be applicable for a given calendar year. The lowest rates for schedules I, II, and III are .8%, 14% and .2% respectively. The maximum rate for all three schedules is 3.5%.

Rates are computed for eligible employers at the beginning of each year. In March, employers will be furnished an "Experience Rating Tabulation". On the form will be shown the wage and contribution data of employer for the last three years and the reserve balance. Employers should compare the data with their records and verify the computation of the contribution rate. Any increase in taxable wages or decrease in the reserve due to benefit charges may result in rate increases.

Upon checking the data, if employer finds an error in computation or discrepancy in the wage data reported, application for review and re-determination should be submitted to the Division in writing, setting forth the reasons, within 15 days from mailing of the notice.

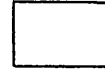
Any employer who succeeds to or acquires the organisation, trade,

or business, or substantially all the assets of another employer who was a subject employer at the time of the transfer, may acquire the contribution rate and experience record of the pre-decessor employer. Form UC86 (Waiver of Employer's Experience Record) relinquishing all the rights of pre-decessor's prior record to the successor must be signed by both pre-decessor and successor employers. Forms must be filed within 60 days of the transfer of business and all contributions and reports (contribution and wage separation) due from the pre-decessor must be cleared within the same 60-day period. If employer fails to file Form UC86 within the 60 days after the transfer of business, it may be filed by March 1st of the following year at which time the experience records of the pre-decessor and successor will be combined in determining the rate for the successor for the new calendar year.

If there were more than one pre-decessor employer and their rates were the same, the successor's rate will be the same. However, if the rates of the predecessors were not the same, the successor must pay at the standard rate of 3.5 per cent until the next determination of rates when the combined experience records are used to determine a new rate."

Note: due to the \$22.5 debt owed to the Federal Unemployment Account of the Federal Unemployment Trust Fund, the Hawaii legislature suspended experience rating in 1976 and 1977 as a means of reducing the amount of this obligation. At least eight other states have done the same thing for the same reason.

Source: A Handbook for Employers. Unemployment Insurance Division, Department of Labor and Industrial Relations, Unemployment Insurance Division, State of Hawaii.

Department of Employment

Unemployment Benefit Office
 Kingsmead House
 James Street West
 BATH BA1 2DB

(Date)

Social Security Act

Dear Sir/Madam,

A claim for unemployment benefit has been made by the person named below who says that he was recently employed by you. To enable the claim to be properly determined, will you please answer the questions on the back of this form and return it as soon as possible using the enclosed addressed label.

The claimant's right to benefit may be affected if:-

- (a) he lost his employment through his misconduct.
 "Misconduct" includes such matters as breaches of discipline or works rules, or conduct which is inconsistent with the fulfilment of conditions of employment, or which prevents an employee from performing his work efficiently; or
- (b) he refused or failed to accept suitable employment; or
- (c) he left his employment voluntarily without just cause; or
- (d) he lost employment by reason of a stoppage of work which was due to a trade dispute; or
- (e) he receives a payment either in lieu of notice or in lieu of the remuneration which he would have received had his employment not been terminated.

If it appears that benefit is not payable for any such reason, your reply will be put before the Statutory Authorities who adjudicate on claims for benefit and may also be shown to the claimant and to any person or body representing him for the purposes of his claim.

Please correct the particulars below if they differ from those in your records.

Yours faithfully,

Manager

1. Name (Mr/Mrs/Miss).....

2. National Insurance Number

--	--	--	--	--
3. Address at which employed (if different from above)
.....
4. Department/Name of foreman.....
Check/Clock No.....
5. Capacity in which employed.....

UB 85 (Env. EDE 58)

oo00oo

Please answer all relevant questions

- | | |
|---|---|
| <p>1.(a) Is the period of employment stated by the claimant fromto.....correct? If not, please give correct period.</p> <p>(b) Did he ordinarily work from Monday to Saturday inclusive each week?</p> <p>(c) On which day(s) did he NOT ordinarily work?</p> | <p>(a)(Yes or No)
From.....to.....
....(last day actually worked).</p> <p>(b)(Yes or No)
(if answer is "No", please answer question (c))</p> <p>(c)</p> |
| <p>2.(a) Did you discharge the claimant: if so, on what date?</p> <p>(b) If so, was he discharged because of unsatisfactory conduct of any kind?</p> <p>(c) If so, please give full details of the incident(s) which led to his discharge</p> <p>(d) If you discharged him because of redundancy, did you offer him alternative employment?</p> <p>(e) If so, please give full details of the alternative employment offered.</p> | <p>(a)(Yes or No).
From.....to.....
(last day actually worked).</p> <p>(b)(yes or No)</p> <p>(c)
.....
.....
.....</p> <p>(d)(Yes or No)</p> <p>(e)
.....
.....</p> |
| <p>3. If the claimant left your employment voluntarily what reason did he give?</p> | <p>.....
.....
.....</p> |

<p>4. If the claimant was discharged because of unsatisfactory conduct or left your employment voluntarily:</p> <p>(a) would the employment otherwise have lasted for at least another six weeks?</p> <p>(b) If not, until what date would it probably have lasted?</p>	<p>(a)(Yes or No)</p> <p>(b) Until.....(date)</p>
<p>5.(a) To what period of notice was he entitled? (This is the period provided by his contract of service, or any redundancy arrangements, or the minimum period provided by the Contract of Employment Act 1973, whichever is longer).</p> <p>(b) Was notice given and if so when?</p> <p>(c) Has any payment (in money or kind) been made, or is any payment to be made in respect of the termination? If so what is the gross amount or value of the payment? How much (if any) of that amount is in lieu of notice, or of the remuneration that would have been paid if the employment had not been terminated?</p>	<p>(a) (weeks/months)</p> <p>(b)(Yes or No) on.....(date)</p> <p>(c)(Yes or No)</p> <p>£.....</p> <p>£.....</p>
<p>6. "Service" contracts or agreements only: has the claimant claimed or received or will he receive any payment (in money or kind) because of the cancellation of a service contract/agreement?</p>	<p>.....(Yes or No) If the answer is "Yes", please state details separately and any receipt given by claimants in final settlement.</p>

Date.....

Signature.....

Employer's stamp:-

Position in firm.....

.....

Telephone No.....

CHAPTER 5

COMPARISON OF BRITISH AND AMERICAN INCIDENCE AND CONTROL OF FRAUD

The terms "wrongful claim", "abuse", and "fraud" as they apply to unemployment benefits are similarly defined in the United Kingdom and the United States. "Wrongful claim" describes a benefit claim to which the claimant is found not to be entitled, and embraces both abuse and fraud. All claims are examined by staff of the Department of Employment (DE) in the United Kingdom, and by a similar agency of each state in the United States to assure legitimacy of the claim before payments begin, thus attempting to defend a priori against claims being "wrongful" in some way.

Yet there are claims which, while wrongful, are nevertheless filed in good faith by claimants who are either unaware of or mistaken as to qualification standards. For example, a claim filed by a person whose eligibility has expired, but who believes at the time of filing that his eligibility is still valid, is wrongful. In such an instance, although wrongful, there is no indication that the claim was filed with intent to obtain benefits through deceit; thus, neither "abuse" or "fraud" is an appropriate accusation.

"Abuse" and "fraud" are used as interchangeable terms colloquially in both nations, yet there is an important distinction between them from the administrators' point of view. Abuse of the system may occur within the letter of the law, but actually be the result of a claimant contriving an opportunity to receive benefits. This is a troublesome issue, one which frequently involves technical or legal loop-holes, so-called "grey areas", whereby benefits can be

claimed legally, but still remain outside the spirit and intent of the legislation as envisaged by its drafters. To illustrate: an unemployed worker with previous experience as a labourer in a steel mill insists on that type of work even though he has since relocated to a non-steel producing, summer holiday area. In such circumstances, "abuse" appears a reasonable charge, even though the claimant has committed no criminal act.

Fraud, on the other hand, is a wrongful claim resulting from intentional mis-representation of facts in order to collect benefits. The most common type of fraud attempted against the system in both nations involves the drawing of unemployment benefits while concurrently earning at regular work. Fraud, punishable under criminal law in both nations, is the type of wrongful claim with which this chapter is concerned.

In spite of its criminal status, there is a segment of the public in each of these countries which appears to attach less stigma to this type of criminal behaviour than it does to, say, burglary or assault. Attitudes of British and American claimants and employers toward unemployment benefits are compared later in this study.

In this chapter key features of the British treatment of the fraud issue are compared with those in the United States. The American federal-state relationship permits each state to tailor the operation of its unemployment benefits system in accord with the prevailing conscience of its population and the economic climate within its borders. Acknowledging this built-in disparity, certain states are used herein as vehicles to represent regional approaches: New York, the eastern seaboard; Ohio and Illinois, the midwest;

Mississippi, the deep south; Colorado, California and Hawaii, the mountain states, far west and non-contiguous states of the nation.

Comparisons focus on: organisation and training of fraud investigators; control methods for prevention of fraud at different levels of government; and penalties levied against those convicted of fraud.

Comparisons of British and American Organisation and Training of Fraud Investigators

The issue of fraud in connection with unemployment benefit payments is a highly visible and marketable press-media property in the United Kingdom and the United States. The visibility and marketability of this issue appear to increase in direct proportion to any rise in unemployment and ensuing severity of economic downturn. The public seems to consider unemployment benefits and other forms of benefits under the single convenient label of "welfare" despite the fact that the former is funded as an insurance coverage similar to that of life, household goods or automobile insurance. In Britain, this error is partially attributable to the single-contribution feature of the national social security system into which both employers and employees pay a specified percentage of each employee's gross earnings. In the United States, unemployment benefits are funded as a separate premium solely by employers in all but three states¹. Although this true state of affairs is realised all too well by employers, their employees seem either to have not considered the source of benefits at all, or believe that benefit funds are part

1. Alabama, New Jersey and Alaska

of the national budget. Thus, a general, albeit mistaken, American view is that such benefits are part of the whole catalogue of social security measures in which everyone is automatically entitled to share.

The National Level

In Britain, responsibility for the prevention and detection of unemployment benefit fraud lies with the Department of Employment. Through the same hierarchic network used for administration of claims and the payment of benefits, the DE investigates and initiates prosecution of fraud cases. Staff for this network becomes progressively more numerous as it descends from the London DE headquarters to the eight regional headquarters, and further to the some 950 local unemployment benefit offices (UBO's).

The DE's London offices maintain a 4-member permanent staff in the Manpower General Division, supplemented with additional personnel as needed, to monitor the field operations in connection with fraud investigations. Within the eight regions subordinate to DE, there is an aggregate of some 50 full-time fraud staff, 76 special investigators (SI's) and an additional 1,000 staff members who work on fraud matters only as one element among others of their normal job description. Combining full-time and part-time personnel yields an overall national fraud-oriented staff equivalent to about 320 full-time persons².

2. Interviews. DE Manpower General Division, London, 26-30 July 1977

Annual labour costs have been averaged for the, roughly, 50% of this number who are in the grade of Executive Officer (EO) and higher, and the remainder who are below that grade level. For the EO's and above, the average annual per capita salary is £6,271; for the other £4,889. The overall annual cost of £1,785,600 includes not only salaries but the ancillary per capita costs associated with premises leasing, maintenance, heating and other amenities of the workplace.

At the USA national level, there is no fraud control organisation similar to that in Britain's DE. There is no agency of the US federal government charged with nationwide policy-making and direction of fraud investigation. The only federal activity in such matters is performed by a 2-person cell in the Employment and Training Administration of the U.S. Department of Labor. These personnel work substantially, but not entirely, full-time on the monitorship, collation, analysis and publication of the results of a quarterly report from each state in which is listed: the number of prosecutions recommended, the number actually prosecuted, the number acquitted or dismissed by the court, and the number convicted. Unlike the United Kingdom, no records are developed at the national level of the types of sentences imposed, sources from which cases of suspected fraud came to light, or other details of the fraud spectrum. All investigative activities in fraud cases are carried out at or below the state level, according to the degree of emphasis which each state administration places on the subject.

In the chapter "Procedures" was outlined the provision in the unemployment insurance part of the Social Security Act of 1935 which furnishes each state sufficient funds from federal sources to pay

administrative costs of its programme. Derived from this provision is the following extract from the U.S. Secretary of Labor's Standard for Fraud and Overpayment Detection:

"a State law (must) include provisions for such methods of administration as are, within reason, calculated (1) to detect benefits paid through error by the agency or through wilful mis-representation or error by the claimant or others, and (2) to deter claimants from obtaining benefits through wilful mis-representation."

For a state to meet this requirement, it must investigate a sufficient proportion of claims to test the effectiveness of the agency's procedures for the prevention of improper payments and assign to an individual or unit the responsibility for investigating suspected benefit fraud. To enable the states to carry out their responsibilities in this area, the Department of Labor allocates and funds state positions specifically for fraud and overpayment detection.

This appears as a definitive requirement by the federal government regulating each state's fraud investigation activities. In reality, the requirement is implemented according to standards set by each state, and is not subject to federal determination as to "sufficiency". Indeed, there are only 2 persons at the federal level in any way available for such duties, a fact which denies any serious contemplation of efficacy. Thus, the Secretary's Standards are largely cosmetic in nature as they apply to operation of fraud investigation.

The following Table 5.1 compares the types of statistical data compiled at the UK national level with that of the USA. Only four types are

TABLE 5.1

UNITED KINGDOM/UNITED STATES*COMPARISON OF STATISTICAL DATA ON UNEMPLOYMENT BENEFIT FRAUD COMPILEDAT NATIONAL LEVEL

	<u>Type of Data</u>	<u>United Kingdom</u>	<u>United States</u>
1.	Number of Cases Closed and Considered for Proceedings	Yes	Yes
2.	Nature of Offences in Cases Considered	Yes	No
3.	Nature of Offences in Cases Completed	Yes	No
4.	Type/number of Sentences Imposed Upon Conviction	Yes	No
5.	How Cases Considered Came to Light	Yes	No
6.	Benefit Payment Check Fraud	Yes	Yes
7.	Rate of Fraud per 1,000 First Payments**	No	Yes
8.	Average Amount of Benefit per Fraud Case	No	Yes
9.	Number of Prosecutions Recommended	Yes	Yes
10.	Number of Prosecutions Recommended of Fraud Cases	No***	Yes
11.	Number of Convictions	Yes	Yes
12.	Total Amount of Payments Made Due to Fraud (£/\$)	No	Yes

* Data compiled by DHSS (UK); Employment and Training Administration, U.S. Department of Labor (USA).

** The unemployment benefit payment for the first compensable week of unemployment in a benefit year (USA).

*** Although not maintained in percentage form in UK, rate is readily calculable from related data.

direct companions (numbers 1, 6, 9 and 11). The number of prosecutions recommended as a percent of fraud cases (number 10), although not published in that form by the UK, is readily calculable from numerical data. Numbers 2 through 5 are maintained only by the UK and reveal detail as to the actual offences for which cases were considered and brought to trial, the type and number of sentences imposed upon conviction (jail, suspended jail, fine, probation, discharge, community service, and the like). These same details (numbers 2 through 5) are not maintained at the USA national level, although some states record certain of them. The United States does maintain a greater degree of detailed data related to the dollar amount of fraudulent payments than is the case in the United Kingdom, as shown in numbers 7, 8 and 12. The conclusion here is that while the United Kingdom appears interested to a greater extent than the USA in detail regarding the offences per se, the USA displays a greater interest in the financial aspects of fraud than does the UK.

The Regional-State Level

In the United Kingdom, the total of 76 special investigators are allocated among eight regional DE headquarters³, then assigned to specific cases by the regional fraud officer. This group of specialists concentrates on allegations received from local UBO's which pose problems beyond the normal investigative scope of those offices. For example, there may be significant travel distances involved with the tracing, substantiation or refutation of an

3. The London region has 12 assigned SI's, with each of the other regions averaging 8 SI's at any given time.

allegation; there may be a degree of investigative expertise required which is above the competence of local UBO fraud personnel; or perhaps the nature of the allegation is sufficiently unusual or of such urgency as to prompt assignment of an SI to the case. Regional fraud officers maintain contact with their assigned SI's through itineraries filed in advance of investigative travel, through telephone communication and by office conferences at the option either of the regional fraud officer or an SI.

In testimony before the Appropriation Accounts Committee of Parliament in 1975-1976, DE estimated a savings of nearly £9,000 resulted from the effects of each Special Investigator for the year 1974. Subtracting from that figure the average annual per capita salary and ancillary employment costs of £6,000, each SI is responsible for net savings to the government of roughly £3,000. This amounts to a net overall annual savings of approximately £228,000 from the work of 76 Special Investigators.

Training of British SI's is a regional headquarters responsibility. Although most SI's have had prior experience at local UBO-level, additional training is necessary for an SI to become effective as a roving investigator pursuing unusual rather than ordinary cases without benefit of supervision. In the conduct of such training, regional fraud officers tailor their programmes to equip SI's for response to conditions prevailing in their jurisdictions. One such programme, developed for SI training in the Southwest Region (headquarters in Bristol), consists of formal and informal sessions supported by a series of regionally-developed memoranda covering essential elements of investigatory procedure and guidelines based on experience factors. This series provides

the SI with a ready reference file after the training is finished for use during actual field work. Particular stress is laid on strict observance of all legal technicalities during SI contact with claimants and witnesses to safeguard admissability of reports issuing from such occasions as evidence during subsequent court proceedings.⁴ Failure to follow the step-by-step procedures which guarantee claimants' and witnesses' rights under the law is sufficient cause to render an otherwise strong court case invalid and the accused acquitted. When this happens, all preparation time involved in the investigation and preparation phases is lost; further, there occurs a loss of Departmental stature in the eyes of all concerned. The efficiency of these training programmes and adherence to established legal patterns of fraud investigation throughout the DE system has produced a 90% conviction rate from all fraud prosecutions taken to court under DE sponsorship.

This researcher was present in court during each of eight trials of claimants accused of various frauds to obtain unemployment benefits.⁵ In all these cases, the evidence submitted and the procedures which had produced the evidence were judged to have been accomplished in conformance with the letter of the law, thus no technical irregularity clouded the magistrates decision. In rendering a verdict of guilty in each of these cases, the Court took cognisance of attending family and financial circumstances, fixing benefit restitution payments and fines according to a weekly schedule of installments consistent with the convicted claimant's ability to pay.

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4. Interviews: Fraud Officer, Southwest Region. Bristol, 23 June-11 July 1977.
 5. Magistrates Court, Bristol, 11 July 1977

In the United States, roughly analagous to the British regional DE level is each of the fifty state governments. Policing of unemployment benefit fraud typically is the function of each state's department of labor. Within such a department, investigations and preparation of evidence to be used in court is further assigned to a sub-unit known variously as an Employment Security Commission⁶, Special Activities Unit⁷, Investigation Section⁸, or similar title. This group of specialists acts on allegations of fraud funneled into it from various sources. Such a unit often works on fraud cases in concert with other types of administrative tasks, such as appeals and/or benefit adjustments, as in Hawaii, Illinois, and California. In New York, Colorado and Mississippi, however, the organisation for fraud is oriented toward specialisation, and the sub-units concerned operate exclusively in this area. Typically, staffing of such sub-units numbers between 5 and 10 trained personnel, this is similar in strength of any one of the British DE regional headquarters. The usual title for an American fraud investigator is Senior Claims Examiner, a euphemism used in the interest of public relations for the true, somewhat harsher character of their work, according to California and Hawaii officials.

Most of these investigative jobs require backgrounds in claims work, computer claims processing, or assisting claims adjudicators. In some states, investigators may also be tax agents of the employment security agencies and security officers for the UBO's. Training of a Senior Claims Examiner is conducted in the on-the-job mode, with individually-developed procedures handed down from one specialist to his successor. Some state-level specialists have

6. State of Mississippi.
7. State of Hawaii.
8. State of New York.

codified their procedures according to personal preference and experience and have compiled check-lists for use by members of the sub-unit. These procedures have been developed by trial and error over a period of time, as opposed to having been pre-designed in the interest of uniformity and efficiency. Research indicates that no state has a formalised system by which replacement of departing Senior Claims Examiners, or their equivalent, are recruited, promoted or trained. As in Britain, preparation of evidence and observance of claimants' and witnesses' rights during interview must be consistent with established state and federal safeguards. Skirting these safeguards virtually guarantees that the case will be thrown out of court and the accused acquitted.

Organisation at the Local Level and Typical Sequence of Investigation

Organisation of fraud investigation activities and the sequence of investigations at the local UBO level were examined at a number of such offices in the United Kingdom and in the United States. While the purpose of these activities and the sequence in which they proceed are similar in both countries, the degree of formality and uniformity varies significantly between them. Initial investigations of fraud allegations are made by staff of local UBO's in both nations.

In Britain, either the specialist or unit type of investigative organisation may be found at the local level, of which the former is by far the more common. A specialist in fraud investigation is developed over a period of time from the ranks of the UBO staff, usually as a result of a combination of personal interest in such work on the part of one of the staff, and a perceived need for one

staff member to whom the others can route allegations or other indicators that fraud may be present in the case of a particular claimant. With the passage of time, the expertise of such a staff member becomes great enough to merit his unofficial designation as a specialist.

Under the unit type, fraud investigation is a part of section-wide operations and is distributed throughout the staff on a share-and-share-alike basis. No one staff member is singled out for fraud concentration. Each section of the UBO provides normal administrative services to its assigned alphabetical segment of the UBO claimant register, and conducts any necessary fraud investigations of claimants within that segment. This generalises, instead of specialises, fraud investigation; each section functions as a unit, responsible for all administrative actions attaching to its segment of the register. Though uncommon among the 950-plus UBO's, there are managers at that level who believe that the unit type not only enriches the job content of each staff member, but that each of them is better able to conduct investigations because of their more personalised knowledge of the claimants they service across the counter on a weekly basis.

As a consensus, however, the 38 staff personnel at local UBO level interviewed in various locations throughout the United Kingdom, three of which employ the "unit" concept, disliked it and preferred the specialist type. They agreed, in substance, that fraud investigation by its very nature demands a special set of personal talents, and that not everyone is suited by temperament, aptitude or interest to perform efficiently in that field. Further, the consensus was that staff members not so interested or who do not

possess the other requisite attributes take a longer time to produce less viable investigative results.

British UBO's are alerted to suspected fraud through either or both of two avenues: external sources, usually anonymous phone calls⁹ or letters¹⁰; or through internal sources, such as inter- and intra-office document cross-checks and as a side-effect or unrelated inquiries as to a claimant's personal/family circumstances¹¹. Whatever the source, all allegations are treated as matters of urgency, and investigations are begun with minimum delay - usually the same day as the allegation comes to light. A typical sequence of British fraud officer actions is outlined as follows:

- a. Receipt of allegation that a claimant is receiving unemployment benefits to which he has no right, as in a "working and signing" case¹². Some allegations are made for reasons of personal grudge or spite by a neighbour of the accused claimant, although the latter may be found legally entitled to benefits. In such cases, no basis exists for further investigation.
- b. UBO makes record of allegation and then causes an internal check of UBO records to confirm that claimant concerned actually is on the UBO active register. If so, the UBO contacts claimant's alleged employer - if known - usually by personal visit, to confirm that claimant is, in fact, employed. At that time, Form UB 551 (Employer's Statement)

9. Interviews: Bath UBO, July, August, September, October 1977.

10. "Sleuths Crack Down on the Cheats". Liverpool Daily Post, 30 November 1976.

11. Internal sources indicating suspicious claimant behaviour: overlapping contributions credits and franks, completion of earnings declarations, routine checks and inquiries, inspectorate survey, examination of another claim, sick visit, observation by staff, inquiry on other matters.

12. The most common type of fraud. Claimant is drawing benefits and earning wages concurrently.

is completed and compared with UBO records. If claimant does not appear on the UBO register, the allegations are presumed to be groundless. When the UBO register and Form 551 appear to substantiate the allegation, a "Suspected Fraud File" (SFF) is set up. This formalises the investigation pattern already in progress.

- c. Photocopies of appropriate claimant documents are prepared (UB 461 and UB 20) to replace original documents in the UBO files; originals are placed in the SFF. Incriminating comparison of these two forms is viewed as prima facie evidence of wrongful claim-fraud.
- d. The claimant against whom allegations have been made is then interviewed. Form QBlA is completed during interview by interviewing officer (Report by Interviewing Officer). Interview is conducted in private with only a Departmental recorder - witness present to take notes. Interview usually is scheduled at time of weekly signing, if the claimant is still signing; if he is not, arrangements are made to interview claimant at home, but always with a witness present. Interview is conducted "under caution", to assure all legal rights are protected. Proposed charge is read to claimant, after which he is afforded an opportunity to make a statement (QBl, Statement of Person Interviewed). In the Bath UBO experience, between 30% and 50% of claimants under investigation elect to make such a statement.
- e. SFF is then reviewed by UBO fraud officer and manager; decision is made as to whether the file is to be forwarded for action to the Regional Fraud Officer with a recommendation to prosecute. If decision is affirmative, the file and recommendation go forward to Region but through the DE

Insurance Officer for review and determination if repayment of benefits by claimant is warranted. Regional Fraud Officer decides whether to proceed further with prosecution. If decision is affirmative, the SFF with a regional recommendation is sent to DHSS Solicitors Branch in London under a Form QB2 (Summary of Alleged Offence). There the file is reviewed and final decision is made on whether to prosecute. This is the point at which the actual prosecution becomes a joint DE-DHSS action. If DHSS solicitors concur in the Regional Fraud Officer's recommendation, the SFF is returned to the originating UBO via the Regional Fraud Officer. The UBO then obtains signatures on necessary witness statements and turns over SFF to a locally-retained solicitor firm, which then handles ensuing court proceedings assisted as appropriate by the UBO fraud officer.

- f. SFF once again is forwarded to London where DHSS solicitors prepare summons' which, together with the SFF, are returned to the UBO for serving and scheduling of court dates in co-ordination with the locally-retained solicitor.

In the USA, local UBO procedures used within individual states vary in the degree of formality with which investigation of fraud allegations is conducted. As discussed elsewhere in this study, the reason for this and like disparities lies in the sovereign right of each state to tailor internal procedures as its elected officials deem appropriate to state interest, there being no obligation to conform to a national standard. Yet, because of the commonality of purpose underlying such investigations, a typical sequence of actions at the local UBO level emerges. The staffing of such UBO's depends, as in Britain, on the nature of employment and the number

of claimants issuing from that employment in the area serviced. In areas where one or two industries are the major employers, interruption of work for any reason causes an immediate rise in the number of claimants for unemployment insurance benefits. In such cases, local UBO's are given authorisation to use part-time staff to augment regular personnel during the period of heavy claimant traffic.

Chronicled below is a composite of investigative sequence, as drawn from the patterns in general use in New York, Ohio, Colorado and Hawaii:

- a. Allegations are received, as in Britain, from both external sources - anonymous telephone message and letters from citizens, frequently irate citizens who protest against the claim of some individual known to them as not eligible for benefits. According to administrators' statements, "working and signing" is the most common charge made by such sources, although dating from the "energy crisis" of 1973-1974 that charge assumed a quasi-tolerated status and the general public was no longer so quick to denounce it. Internal sources also yield indications of fraud, generally in the same manner as in the United Kingdom, through inter-office co-ordination and intra-office document cross-checks of employer claimant records. Charles C McMahon, New York's Director of Labor Special Investigation, calls the local office the "first line of defence"¹³ because the staff must be in close touch with the local community. The staff meet the claimants and can note any deviations from the patterns of work or wages occurring in the area and double-check

13. Speech before the New York Civil Service Commission, 13 April 1977.

signatures and habits that give away fraudulent persons.

In one Utah case, a claims processor noticed the name of a fellow part-time claims processor on a form that the computer had rejected. She reported it to the UI fraud team.

- b. The local benefit office records the allegation and passes it to any one of the "line" claims examiners for follow-up. As in Britain, allegations are treated as urgent, with initial verification of allegations following without delay. In certain states, Hawaii and Ohio as examples, concurrent with a cross-match of the claimant register with the "Employment Status Report" (in Hawaii, Form UC-BP-5), an attempt is made to arrange an interview with the accused claimant. This Report (Hawaii) requires all employers to furnish information to the state Department of Labor on each employee hired or separated on or after 15 July 1976, within 5 working days from the date of hire/separation. This administrative record serves to update the total employment inventory in the state on a "name" basis, and provides additional means to monitor not only unemployment benefit fraud but the number of employees for whom an employer is liable for unemployment insurance contributions. Most states have similar cross-check devices, though there is no specific federal regulation which requires it. Unlike the British system, no formalised case file is established at this time; the matter remains informal at this point. Claim Certificate forms (in Hawaii, UC-BP-10), signed by the claimant and mailed to the UBO each week during the period of unemployment, are assembled for reference and display to claimant at the time of interview.
- c. The claimant is then interviewed, with notes and findings by the examiner recorded (in Hawaii, Form UC-BP-15). If claimant

desires to make a statement, it is recorded on a like Form.

- d. Findings of interview and document cross-match are then reported to the examiner's supervisor, a file established and then forwarded to a Senior Claims Examiner, a fraud specialist at state level. It is at this point when a visit is made to the employer by the Senior Claims Examiner in charge of the investigation in order to verify the conditions of hire and the current status of the claimant, eg wage rate, duration of employment, hours of work, and the like.
- e. If the evidence is deemed conclusive, the file is sent to the Administrator of the state unemployment insurance division with a recommendation that the case be forwarded to the public prosecutor for court action. Assuming concurrence, the file is sent onward to the prosecutor's office for further review of evidence and final decision as to whether there are sufficient grounds on which to bring the case before the bar. If so, the prosecutor takes all further action, with the unemployment insurance division personnel called upon only for supportive testimony, as appropriate.

The conduct of prosecutions differs widely among the states. In New York, such procedures are formalised in great detail and handled in-house by the Department of Labor Special Investigation Unit. In Mississippi, the Employment Security Commission retains its own legal department which represents the state in fraud proceedings on a unilateral basis separate from the state attorney general. In Hawaii, the Public prosecutor's office is an organ of the county, not the state government. This causes a transfer of jurisdiction from the state to the office of the Prosecutor, City

and County of Honolulu. Such mid-stream separation of jurisdiction has made fraud prosecutions a sort of political football in which the state and county governments each accuse the other of inaction, faulty evidentiary preparation and assorted other shortcomings. The result of this abrasive internecine dispute is a poor record of fraud convictions - among the poorest of any state in the nation. More will be said of this situation in a later part of the chapter.

Overall, the organisation for detection and control of fraud in Britain compared with a composite type in the United States differs on two major counts. First, the training of special investigators in British regional offices is of a standard far superior to that found in American states. The lack of a national uniform system in the USA results in variance in the professionalism which the state governments, roughly the counterparts of British regional offices, demand of their unemployment benefit administrators. While the eight regional offices in Britain are relatively free in codifying the investigative procedures followed in a specific jurisdiction, the existence of a national monitoring office is a strong influence toward uniformity of policy and the procedures which emanate therefrom. Further, since all administrative staff are members of the national civil service, there is an established communication channel by which new procedures can be shared with other offices. Training of fraud administrators in the United States is largely restricted to on-the-job exposure, dependent on the individual motivation of the coach and that of the trainee. As a consequence, fraud administrators range from the lowest to highest point on the effectiveness continuum as a function of the stress which an individual state places upon fraud detection and prosecution. Colorado, New York and Ohio are known to place high premium on the

successful prosecution statistics developed from fraud cases; yet, at the national level, there is no full-time monitorship of fraud incidence except those in the Employment and Training Administration of the U.S. Department of Labor who digest the input of ES-227 from each state. Yet even publication of such data receives little public notice, since the results are not routinely distributed lower than U.S. Department of Labor regional level. Local-level UBO's must request these statistics on a recurring basis; the result is that few of them make such requests.

Second, the clear line of hierarchical responsibility for preparing and prosecuting fraud cases in Britain does not exist in the United States; it is fragmented from the state level downward with more or less control exercised by the state government according to the changing perceptions of successive state political administrations as to the degree of importance and visibility which ought to be accorded fraud control measures.

Other than in these two areas, the systems are different largely in cosmetic applications. The purpose for which fraud detection and prosecution activities are organized make for a significant degree of commonality as to sequence of steps in the conduct of investigations, processing of documentation, interviewing of claimants and employers, and the like. This commonality is achieved by happenstance through the congruence of purpose in this regard by both nations, not as a result of any planned bilateral administrative intention.

Fraud Prosecutions - Britain

Recording and analysing unemployment benefit fraud incidence in Britain is based on information being fed into the Department of Employment from local and regional offices. In turn, the DE makes these data available to the DHSS for publication in its Annual Report¹⁴. This Report covers a wide spectrum of illegalities perpetrated against the National Insurance programme, including those against unemployment benefits. The detailed statistics contained in the Report date mainly from publication of the Fisher Committee Report¹⁵ in 1973. Certain of the Fisher recommendations¹⁶ have caused increased attention to the collection and maintenance of statistics on fraud, and to the compilation of comparative surveys for the evaluation of the relative efficacy of procedures to detect and prevent it. At Table 5.2 is a digest of the Fisher recommendations; of special interest are 4, 12, 17 and 18.

Of related interest in this connection is Table 5.3, which illustrates the sources from which cases of possible fraud came to light in December of 1971 compared with December 1976.

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14. "Report for (YEAR) on Criminal and Civil Proceedings". London: DHSS (an annual publication). Note: these data are without differentiation between incidence of fraud by men versus women.
 15. "Report of the Committee on Abuse of Social Security Benefits". London: HMSO, March 1973.
 16. Ibid. Specifically (in original Report) recommendations 5, 28, 77, 80, 81, pp.234-243.

TABLE 5.2RECOMMENDATIONS BY STANDING COMMITTEE OF THE DEPARTMENT OF HEALTH
AND SOCIAL SECURITY: CONTROL OF ABUSES TO UNEMPLOYMENT BENEFITS

Note: These recommendations have been selected from the whole of the Committee's list for relevance to points made previously in this paper; other recommendations which do not specifically refer to points already discussed do not appear here.

1. The prime consideration should be to maintain the throughput of claims and payments, and the measures taken to prevent and detect abuse should be consistent with this objective.
2. When changes in procedure are to be introduced, studies should be carried out to determine the effect on the promptness with which claims can be paid.
3. There should be an intensification of visiting in problem cases, and cases where abuse is suspected.
4. The Department of Employment should collect and maintain statistics to show the number of jobs to which people are referred broken down by duration of benefit, by type of benefit, by region and by other variables.
5. Detection of failure by claimants to disclose earnings by themselves or their dependants above the limits of "disregards" should have first place in the Department's attention, and should be regarded as the principal activity of special investigators.
6. If personnel available to investigate suspected abuse are for any reason at any time insufficient for all the calls made on them, the detection of earning while drawing benefit should be the last area in which economies should be made.
7. The Department should not be inhibited in its efforts to detect working and drawing benefit by fear of criticism for excessive zeal.
8. Though measures employed to detect cohabitation and fictitious desertion should be as little intrusive and involve as little offence to the feelings of beneficiaries as is consistent with efficiency, the Department should not turn a blind eye to suspected abuse because the people suspected of committing it are in a situation which attracts sympathy.
9. Regional offices should maintain a careful and continuous oversight of the methods used by special investigators.
10. Steps should be taken to make leaflets, claim forms and the instructions contained in order books more easily intelligible to claimants.

Table 5.2 continued

11. Translations of all commonly used leaflets, etc, should be done into Gujarati, Punjabi, Bengali, Urdu and Hindi and steps taken to make them available to speakers of these languages.
12. Advice as to presentation should be sought from those with experience and/or expertise in the field of communication (with respect to 10 and 11 above).
13. Appropriate alterations should be made in claim forms for the blind and illiterate.
14. Numbers of special investigators should continue to be increased so long as the additional benefit saving exceeds the additional cost.
15. The present practice of recruiting special investigators from within the civil service should be continued.
16. Private detective agencies should not be employed in the investigation of suspected abuse.
17. To obtain fuller information as to the true extent of the problem of abuse by wrongful claims, a series of surveys based on random samples of claimants should be carried out by the Department over a period of years, and wide publicity should be given to the findings.
18. Regular comparative surveys should be carried out to determine the relative efficacy of different procedures, and in particular that whenever a major change in practice is contemplated which can be expected to affect the amount of abuse which occurs and/or the proportion which is detected, comparative studies should be carried out to discover the effect of the change.

TABLE 5.3

HOW CASES OF UNEMPLOYMENT BENEFIT FRAUD CAME TO LIGHT: COMPARISON OF
SOURCES BETWEEN DECEMBER 1971 AND DECEMBER 1976 (Britain)¹⁹

	<u>Internal</u>			<u>External</u>			<u>TOTAL</u>		<u>UNEMPLOYED</u> <u>000's</u>
	<u>Cheques</u> <u>Queries</u>	<u>Other*</u> <u>Sources</u>	<u>Total</u>	<u>Other</u> <u>Depts</u>	<u>Anon Ltrs</u> <u>Phone Calls</u>	<u>Other**</u> <u>Sources</u>	<u>Total</u>	<u>Grand</u> <u>Total</u>	
1971	126	125	251	150	76	96	322	573	910.7
1976	190	94	284	245	138	102	485	769	1371.0

*Includes: Inspectorate survey, examination of another claim, observation by staff, inquiry on other matters.

**Includes: Police, voluntary disclosure, claimant inquiries, employer inquiries, reports of other proceedings.

The Grand Total reflects an increase of 35% in the number of cases recorded by source between 1971 and 1976. During that same period, total unemployment increased by 50%. DE administrators (Manpower General Division) view these increases as quite normal, but point to the 100% increase in "Anonymous Letters and Phone Calls" as unusual. They surmise that this source became more popular due to neighbour reporting "fiddling" by another neighbour when both were unemployed, but when the reporter-neighbour was not so engaged. In short, a case of righteousness born, possibly, of envy or virtue, exercised in such a manner as to protect the identity of the reporter. Queries of UBO staff members in 1977 and 1978 confirm that this source continues as the most popular.

19. 1971 Data: Op Cit. "Report of the Committee on Abuse of Social Security Benefits", 1973; 1976 Data: Op Cit. "Report for 1976 on Criminal and Civil Proceedings, 1977".

Fraud Prosecutions - United States

Compilation of USA statistics on unemployment benefit fraud at the national level is performed as a function of the Employment and Training Administration in the U.S. Department of Labor, and published annually within the Department without differentiation between men and women as to incidence attribution. Each state submits a quarterly report²⁰ to the Bureau reflecting the number of cases recommended for prosecution, cases acquitted/dismissed by the court, convictions and the number of prosecutions pending at the end of the quarter. Of these, four categories have counterparts in the British system. Table 5.4 is a comparison of UK with USA statistics in these four categories for years 1973 through 1977.

At the individual state level, statistics on fraud tend to be maintained in some greater detail than at national level, although there are wide variations among the states on this point. For example, New York, Illinois, Ohio and Mississippi compile more detailed information on fraud incidence than do California, Colorado or Hawaii. To illustrate typical state systems, Mississippi, Hawaii and Ohio have been selected as representative vehicles.

Mississippi

Mississippi has a population of 2.2 million people. It is known as an ultra-conservative state, where dedication to the work-ethic remains exceptionally strong. It administers unemployment insurance

20. Form ES-227, U.S. Department of Labor. Section D: "Prosecutions Involving Issue of Wilful Misrepresentation".

benefits through an Employment Security Commission, one unit of which is established for fraud prevention and detection.

Mississippi discontinued prosecution of fraud cases in 1969, but resumed this "deterrent action"²¹ in 1976 as a result of public outcry against this type of crime. Since 1976 a total of 67 cases have been considered for fraud prosecution, of which 18 were resolved without court action. Pending further investigation as of this writing, there were 16 cases pending further investigation, with 15 others held in the Legal Department of the Commission awaiting presentation into the courts for prosecution. Of the remainder, 18 cases were successfully prosecuted and resulted in convictions. Sentences ranged from repayment of the total amount of benefits illegally collected to a maximum of \$300 fine and up to 150 days imprisonment. In all but 3 such cases, the jail time was suspended. Thus, the convictions for unemployment benefit fraud based on total state population are 1.2 per 100,000 inhabitants: convictions (18) represent 27% of the total number of cases considered for prosecution (67). An interesting insight into the criteria developed for triggering consideration of a given case for possible prosecution is as follows: claimants with over 10 fraudulent weeks of over-payment are prosecuted, but only 5 of these would be entered into charges as separate counts; claimants with between 5 and 10 weeks of fraudulent over-payments are prosecuted, but only 3 such weeks are entered as separate counts. Mississippi has formalised such criteria in an attempt unclog the court calendars of misdemeanors. Cases of fraud for periods of less than 5 weeks are not prosecuted, but disqualified from receiving benefits, as

21. Letter: W H Greer, Chief, Fraud Prevention and Detection, Mississippi Employment Security Commission, 24 January 1978.

follows:

- a. For one week of fraud, claimant is disqualified for 6 weeks;
- b. For two weeks of fraud, disqualification for 12 weeks;
- c. For three weeks of fraud, disqualification for 18 weeks;
- d. For four weeks of fraud, disqualification for 24 weeks;
3. For five or more weeks of fraud, disqualification is for 52 weeks, with effect on Sunday of the week in which the case is determined, and court prosecution begins.

As is true with all states, Mississippi refers to the Federal Bureau of Investigation (FBI) all cases involving "federal money" in excess of \$1,000. "Federal money" in this context is that granted by Congress to states on a, roughly, 50-50 basis to extend state benefit payments to claimants beyond the normal 26 weeks during periods of high unemployment. As of January 1978, 3 cases from Mississippi were pending FBI decision to prosecute in federal courts. When the FBI declines to prosecute, Mississippi - and all other states - has the option to prosecute in state courts.

Hawaii

As another example, the state of Hawaii has a resident population of 850,000 throughout the 7 major islands of the Hawaiian chain. It is known as a liberal state, where dedication to the work-ethic is not so apparent as it is in Mississippi. One postulates that this more tolerant view of non-work may be due to the combination of a perpetual summer climate, the playtime resort atmosphere where several millions of tourists flaunt their temporary release from

normal work routine, and the traditional "hoomalimali na hano hano"²² philosophy of the Hawaiians and converts to the Hawaiian life-style, known as "Hawaiians in heart".

Hawaii's Department of Labor and Industrial Relations does not have a record of aggressive prosecution of unemployment benefit fraud cases. Yet more emphasis is now being placed on such action as a consequence of business community and legislative concern with the rising number of such payments. Fraud cases are prosecuted in county, rather than state, courts due to the realities of time and distance caused by the state being divided into island-counties. To illustrate: the island of Oahu on which Honolulu, the capital, is located is a political entity designated as the City and County of Honolulu; the island of Hawaii is the County of Hawaii, Maui and Kauai each are separate counties.

During 1976, a total of 346 fraud cases were considered for prosecution state-wide, of which 326 (94%) resulted in disqualification from benefits, not prosecution. Of the remaining 20 cases, only 10 were taken to court, of which 6 were convicted. Relative to total state population, there are 1.4 convictions per 100,000 inhabitants, or 1.7% actual convictions of the total number considered, as opposed to a national average of 9.63%. Among the 3 island-counties on which these 6 convictions occurred, the following sentences were imposed: island of Oahu (City and County of Honolulu), 1 conviction; no imprisonment, placed on probation for 5 years on condition that psychiatric help be sought as approved by the Probation Department; island of Hawaii (County of Hawaii), 1 conviction; imprisonment for 1 year on each of 2 counts, suspended, with a fine of \$300; island of

22. Translated: "Fooling around is better than working".

Kauai (County of Kauai), 4 convictions: 2 ordered to make full restitution and placed on probation for 1 year; 1 fined \$30, placed on probation for 6 months and required to make full restitution; and 1 to make full restitution only.

Such sentences as these, often characterised as "powder-puff justice", have received periodic attention in the press and in the state legislature. State Senator John Leopold charged that Oahu's "less than reassuring record" is prosecuting unemployment fraud cases is costing taxpayers thousands and is an example of the City²³ and state's inability to work with each other. He went on to say that increasing costs of the unemployment insurance system and growing numbers of fraud cases make it important that abusers of the system are prosecuted aggressively.²⁴

Ohio

Ohio offers a third illustration of how an individual American state handles unemployment benefit fraud. An eastern-central state, Ohio is both agriculturally rich and industrially productive, with a population of 11 million. It is known for its "no-nonsense" approach toward benefit fraud investigation and prosecution. Further, Ohio is the only state which maintains a detailed, continuing statistical study of unemployment benefit fraud incidence, and consequently is a fecund source of data for a wide variety of fraud-related activities.

23. City and County of Honolulu, which encompasses the whole of the island of Oahu.

24. Oshiro, Sandra S. "Jobless Pay Fraud Prosecution Criticised". Honolulu Advertiser, 23 February 1978.

Penalties for fraud in Ohio correspond to those in most other states: repayment of benefits fraudulently received, cancellation of future benefit rights

and prosecution for first degree misdemeanour. The Ohio Bureau of Employment Services, which includes a permanent 45-member Investigation Department, has provided the federal government with computer tapes showing Ohio records of beneficiaries, by social security number. These are checked against federal records of employment during the same time span to identify claimants with the same social security numbers. Where the possibility of employment is indicated for the same claimant during the same weeks for which benefits were paid, payroll records for the claimant are then secured from their employers on a week-by-week basis. If the claimant has been paid benefits for weeks in which he claimed to be unemployed when he was in fact employed, fraud is charged.

The Ohio Bureau reasons that in order to measure fairly the incidence and nature of known fraud it is necessary to accumulate data on beneficiaries and fraud charges over a period of years. The time span for the initial study embraced the decade from 1966 through 1975, which offered the advantage not only of including high prosperity years, but also assured that fraud charges were related to the years within which beneficiaries were paid. It was found that fraud often was not discovered until one or more years after it occurred. Ohio's comprehensive statistical programme includes an anomaly: no data is kept on sentences imposed upon conviction for unemployment benefit fraud. Consequently, in an otherwise model catalogue of fraud data, no pattern can be drawn as to either type or consistency of punishment meted out for each kind of fraud activity.

Fraud charges, during that decade, were developed for 26,462 beneficiaries, roughly 2,600 per year. As is true generally throughout the United States (and in Britain), the most common type of fraud is failure to report wages earned while drawing benefits, accounting for 78.7% of all Ohio fraud identifications. During 1976, a total of 2,337 cases of fraud were identified, of which 525 were recommended for prosecution (22.4%). Of this number, there were 360 convictions (70%), compared with the national average of 9.63%.

An interesting facet of Ohio's statistical interest is reflected in sex and racial data - not maintained by most other states. Only 7 out of 10 beneficiaries were men, yet better than 4 out of 5 fraud charges were leveled at men. The fraud rate for men (1.29%) was more than twice that for women (0.62%). The incidence of fraud was substantially higher among non-white than among white beneficiaries, and the fraud rate among non-white men more than twice that for non-white women. Non-white men, representing one-eighth of all male beneficiaries, accounted for nearly one-third of the fraud among all men. The non-white male fraud rate of 3.34% was more than triple that for white men. A significant adverse deviation in Ohio statistics, however, is found relative to the national average dollar amount per fraud case. Ohio's average amount for 1976 was \$346.64 against a national average of \$309.72; for 1977, Ohio's average was \$440.62 against a national average of \$350.43. One postulates that Ohio's aggressive fraud programme prompts those who attempt fraud to act in accordance with the "might as well be hanged for a horse as a colt" option, and to be more clever than is necessary in other states since detection brings to them more serious consequences²⁵.

25. Source of Ohio data: Study by William Papier, Director of Research and Statistics, Ohio Bureau of Employment Services, June 1977; and Office of Program Management, U.S. Bureau of Labor Statistics, 1978.

Measurement of Unemployment

In 1954, the Eighth International Conference of Labor Statisticians, organised by the International Labour Office (ILO) of the United Nations, agreed on the following broad definitions of unemployment: (a) workers previously employed but presently without jobs who are seeking work; (b) persons without previous job experience who are seeking work; (c) persons on temporary or indefinite lay-off without pay, (d) persons without a job but who have arrangements to start a job at a date subsequent to the period for which unemployment data is being gathered. The same Conference determined that two categories of persons would be excluded from unemployment data: (a) persons intending to start their own business and thus not seeking work during the data period, (b) former unpaid family workers, not seeking gainful employment during the data period.²⁶

While ILO members, including Britain and the United States, endorse these broad definitions, certain variations are present in each system of measurement. For example, while the ILO decision includes as unemployed those who are jobless but temporarily sick, adult students seeking work, and those temporarily suspended from work, Britain excludes them from its tally. Conversely, persons who have not sought work during a specified period are excluded from unemployment data by the ILO, but are included in the British method.

26. "International Unemployment Statistics". Department of Employment Gazette, July 1976.

Britain

British unemployment statistics are "registration based" on monthly reports cross-checked between UBO and Employment Services Agency registers at the local level, with data consolidated at regional offices and funneled to DE in London. To these local totals are added non-claimant registrants: persons unemployed who seek employment but who are not receiving unemployment benefits - mainly married women paying reduced NI contributions; persons registered with ESA but not drawing benefits are subtracted from local figures - those employed but seeking to change their jobs. Neither of these alterations to the reconciled UBO-ESA register total exerts significant influence on the overall national unemployed figure to contaminate comparisons with unemployment in other ILO countries.²⁷

United States

In the United States the method of measurement is based on a monthly household sampling, called the Current Population Survey (CPS). Under this method, a sample of cities and counties or groups of counties is chosen from the 3,146 counties and cities in the country. The Bureau of the Census designs and selects the sample of 461 areas which includes 923 counties and cities in every state and the District of Columbia. The sample reflects urban and rural areas, different types of industrial and farming areas, and the major geographic divisions of the country in the same proportion as they occur in the nation as a whole. Each of these areas is

27. Interviews: ESA administrators, London and Bath, 10-13 July 1978

subdivided into smaller clusters of about four dwelling units, from which those to be surveyed in a particular month are chosen; these households are then interviewed. About 47,000 households are eligible for interview - about 1 in every 1,500 throughout the nation. Each month, one-fourth of the households in the sample is replaced so that no family is interviewed more than 4 consecutive months.²⁸

Since the American method is a sample and not a total count, it does not produce results exactly the same as could be obtained by using the British method or by interviewing the total population. Statistically, however, the chances are 90 out of 100 that the estimate of unemployment from such a sample is within 185,000 of the figure obtainable from a total census. Since monthly unemployment totals have ranged between 3 and 8 million in recent years, the possible error resulting from sampling is not large enough to distort the total unemployment picture.

Both Britain and the United States use age 16 as the base limit for unemployment measurement. The two nations differ with respect to count of military forces: Britain includes its forces in the denominator for calculating unemployment rates, whereas the USA counts only the civilian labour force.

Comparison of Fraud Incidence - Britain-United States

At Table 54 is a columnar summary of UK and USA annual fraud data for the period 1973 through 1977, from which comparisons are

28. Stinson, John F. How The Government Measures Unemployment. Washington, DC: Bureau of Labor Statistics, U.S. Department of Labor, 1977

TABLE 5.4

UK-USA SUMMARY: WORKFORCE, UNEMPLOYMENT, DETECTED FRAUD CASES,

Year	TOTAL WORKFORCE		TOTAL UNEMPLOYED (as % of workforce)		TOTAL FRAUD CASES DETECTED		TOTAL FRAUD CASES PROSECUTED		TOTAL CONVICTIONS (as % of prosecutions)	
	UK	USA	UK	USA	UK	USA	UK	USA	UK	USA
	millions	millions	millions	millions						
1973	25.6	93.2	.51 (2.2%)	4.56 (4.9%)	5,754	45,602	1,523	5,453	1,502 (98.6%)	3,260 (59.8%)
1974	25.5	93.0	.653 (2.9%)	5.20 (5.6%)	3,919	68,326	1,160	6,685	1,149 (98.7%)	3,984 (59.5%)
1975	25.6	93.7	1.2 (5.1%)	7.96 (8.5%)	5,758	81,130	1,086	10,397	1,864 (98.8%)	7,295 (70.2%)
1976	25.8	94.2	1.37 (5.7%)	7.91 (8.4%)	10,853	103,306	2,963	9,952	2,935 (99.6%)	6,432 (65%)
1977	26.0	94.7	1.48 (6.2%)	7.76 (8.1%)	12,757	122,461	4,181	12,195	4,134 (98.9%)	4,506 (36.9%)

PROSECUTIONS, CONVICTIONS - 1973 through 1977

drawn with respect to selected fraud incidence. An important factor to be taken into account throughout discussion of this and succeeding tables is the approximate one-to-four ratio between British and American total populations.

By the end of the period, British unemployment had increased by 4.0% compared with the 3.2% rise in American unemployment. At the same time, both countries experienced a dramatic increase in the number of fraud cases detected. British cases detected had increased by 223%, while an even higher 300% increase had occurred in the USA. The roughly parallel relationship between increased unemployment and increased number of detected fraud cases in Britain is shown at Table 5.5a; only the decline of 2,000 in the number of cases detected in 1974 appears irregular in the face of a rise of 150,000 in the total number of unemployed during that same year. While no official explanation of this anomaly has been made by DE or DHSS, experienced administrators in both departments theorise that it may be one of the side effects of the miners strike. They postulate that the sudden, tremendous increase in claimant traffic necessitated that their claims be handled under emergency procedures by part-time personnel and co-operating employers who lacked both the time and necessary expertise to detect possible fiddling.

At Table 5.5b is graphed another anomalous situation as it occurred in the USA with respect to the relationship between numbers of unemployed and cases of detected fraud between 1975 and 1977. Note that a slight decline in total unemployment was accompanied by a steep rise in cases detected fraud cases. Officials of the Employment and Training Division, U.S. Department of Labor (Region IX) were queried as to explanations for this situation. They stated that, although

TABLE 5.5a
UNITED KINGDOM

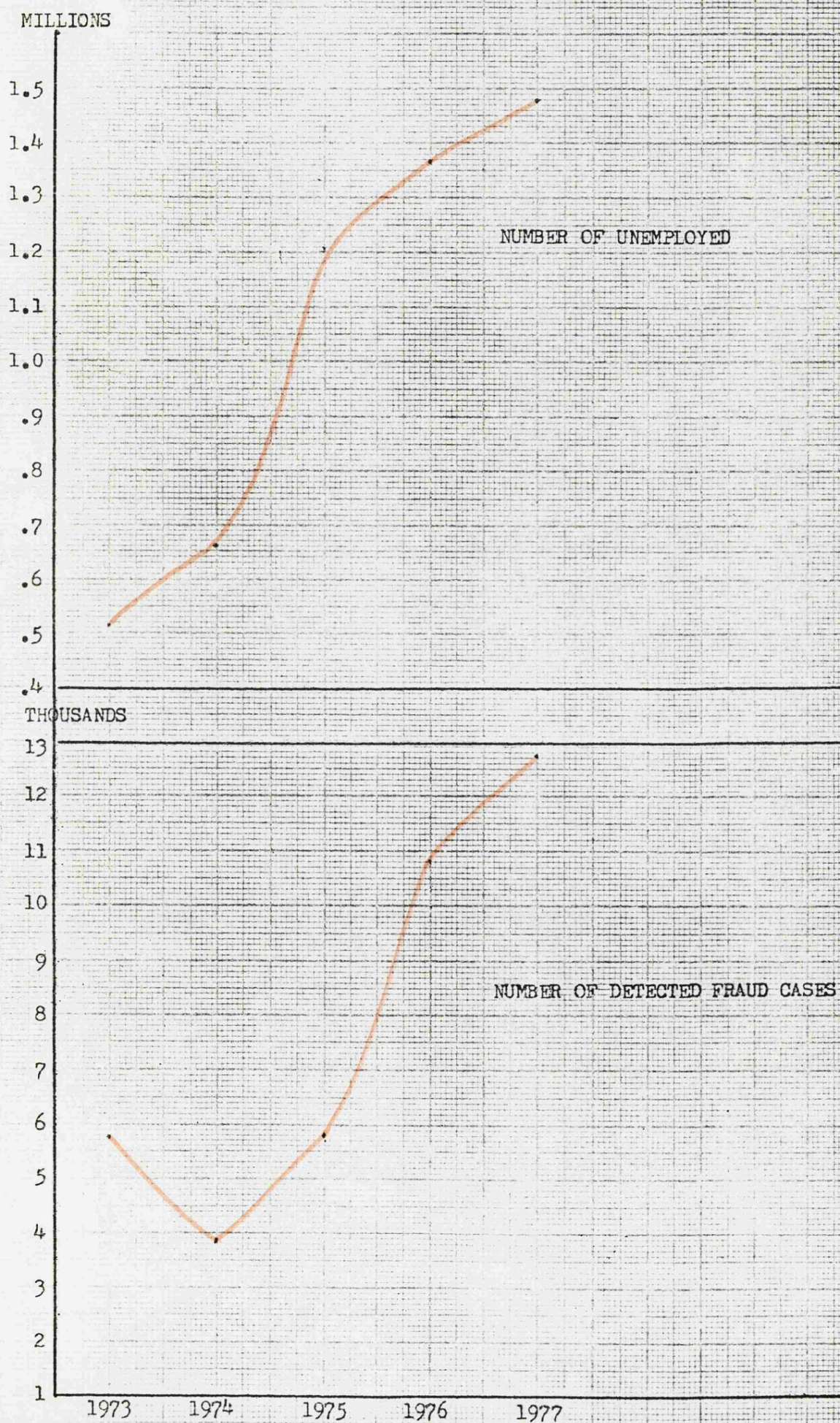
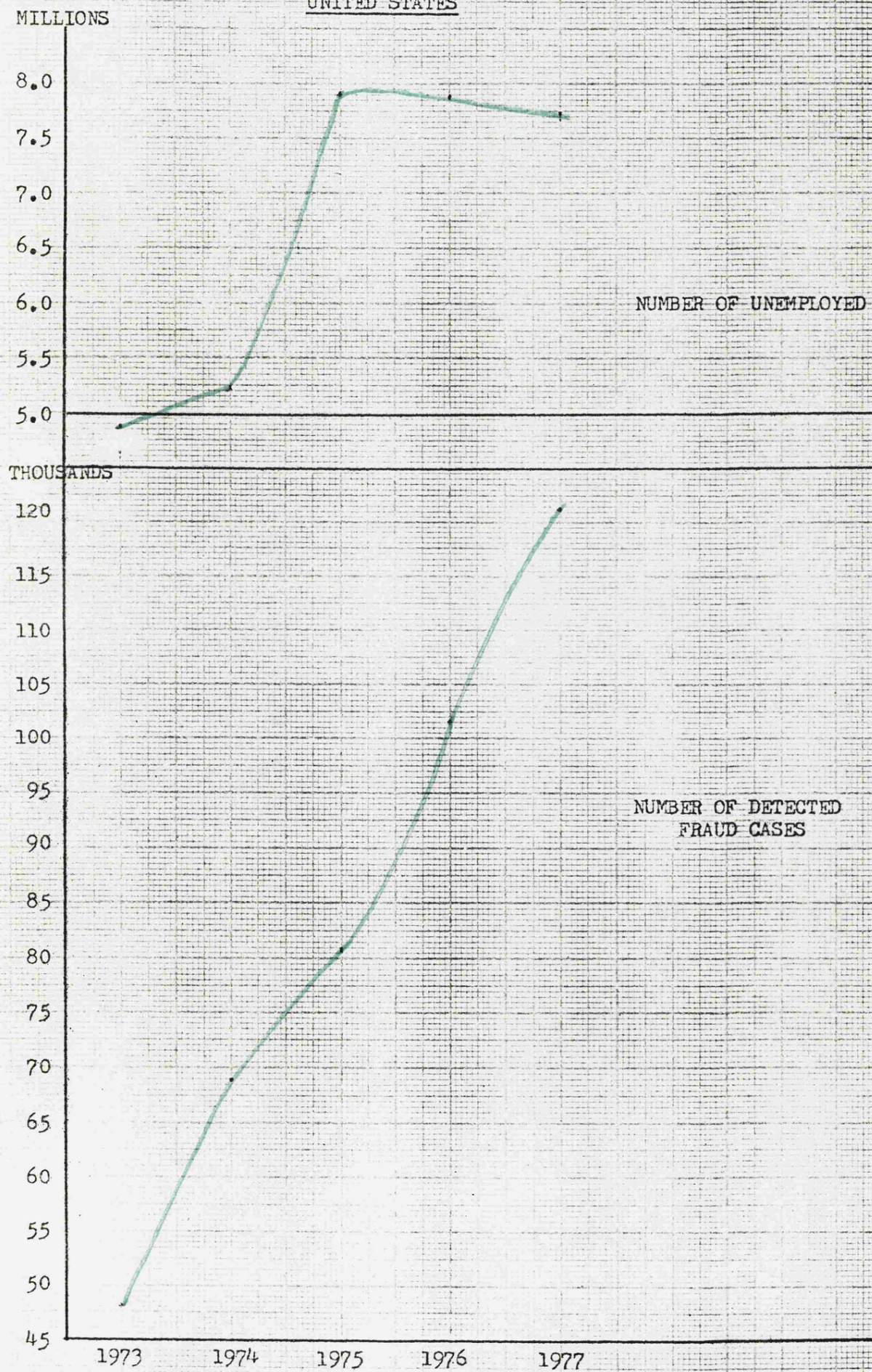


TABLE 5.5b
UNITED STATES

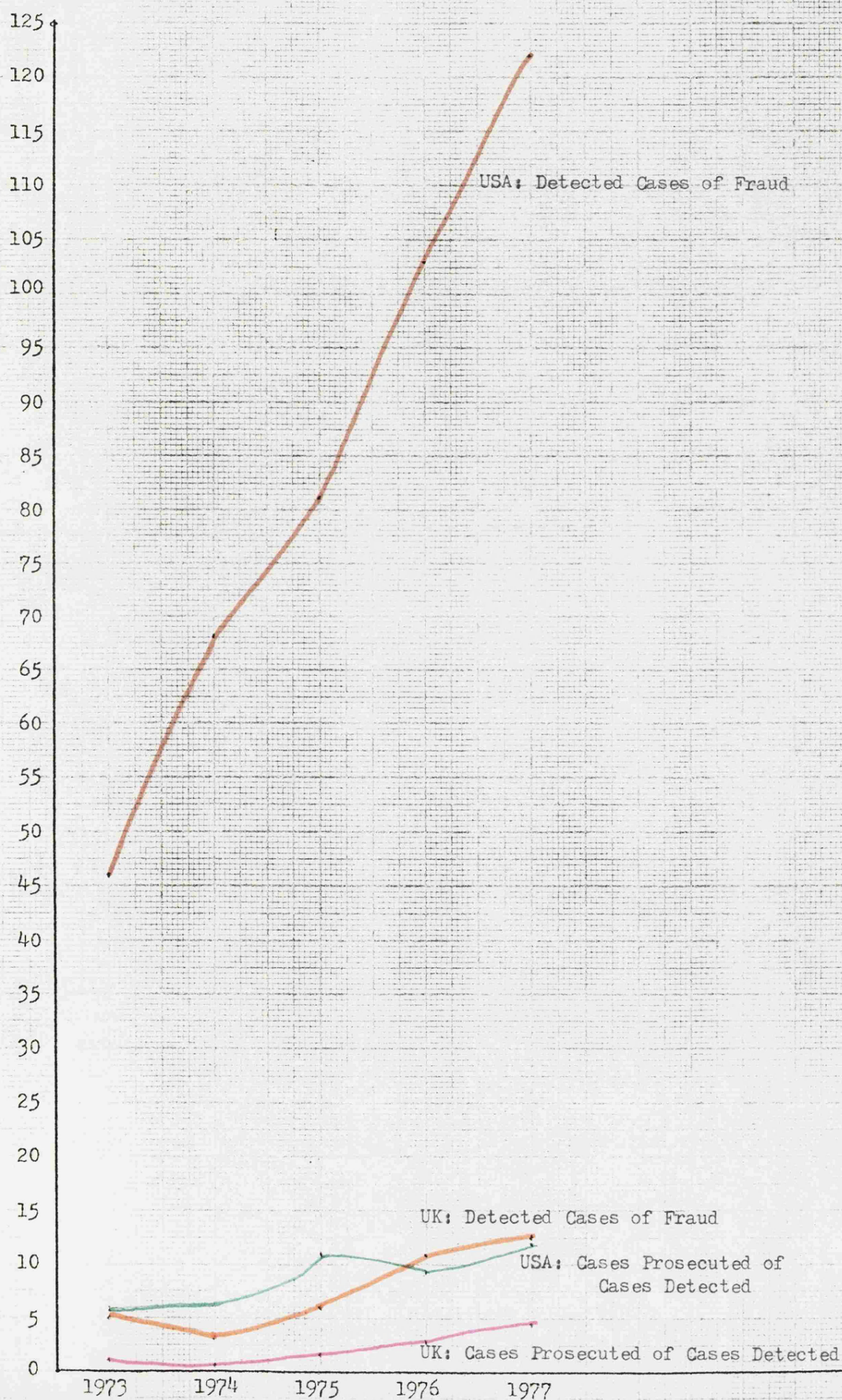


they cannot officially confirm or support factually what they believe to be true, they are reasonably convinced that the following two factors account for the anomaly. First, due to the disparate eligibility standards among the states, some much more permissive than others, potential offenders target the more permissive ones for attempts at wilful mis-representation. Consequently, claimants bent on deceit flock to such states, thus increasing the national total fraud incidence when input from each state is compiled in Washington. Second, some states had inadvertently encouraged spurious claims in another way, by suspending or repealing entirely the means by which fraudulent claims could be aggressively prosecuted, Mississippi and Arizona as examples. These same states, once the runaway fraud incidence became realised, took remedial action, Mississippi among the first to do so. It should be noted as well that the groundwork for high claimant traffic had been established in 1973 and 1974 during the "energy crisis", and that a certain momentum is believed to have been generated thereby which tends to continue until some arresting action occurs by synergy or through specific legislation - as in the case of Mississippi.

Table 5.6 compares UK with USA cases authorised for prosecution of the total number of detected cases. By 1977, the British had tripled the number of fraud cases prosecuted over their 1973 figure, while the number of detected cases had increased by about two and one-quarter times the 1973 figure. This indicates a progressively sterner prosecution policy applied over the 5-year period. Just the opposite trend is observable in the USA relationship between increases in detected cases and cases prosecuted. While American prosecutions increased by slightly more than double the 1973 figure, the number of detected cases had in fact tripled. This tends to

TABLE 5.6
UNITED STATES

THOUSANDS



confirm the substance of the U.S Department of Labor officials' contentions that easier eligiblity coupled with less aggressive control measures were factors contributing to the anomaly.

Throughout the period, Britain maintained a near-99% success rate in obtaining convictions of the total number of cases prosecuted, while the American performance in this respect was dismal by comparison. See Table 5.7a (numbers) and Table 5.7b (percentages). It is in this area of convictions for fraud that the most dramatic difference is seen between the UK and USA fraud control experience. With a 60% conviction rate in 1973, the overall USA national pattern improved to reach 70% in 1975 - the highest rate achieved to date. It then declined to 65% in 1976 and sank to an all-time low of 37% in 1977. Queries made to the U.S. Bureau of Labor Statistics have yielded no official rationale to explain either the consistently low rate of convictions vis-a-vis the British, or the steep decline in 1977, the same year in which there was a 300% rise in the number of fraud cases detected compared with that of 1973.

TABLE 5.7a

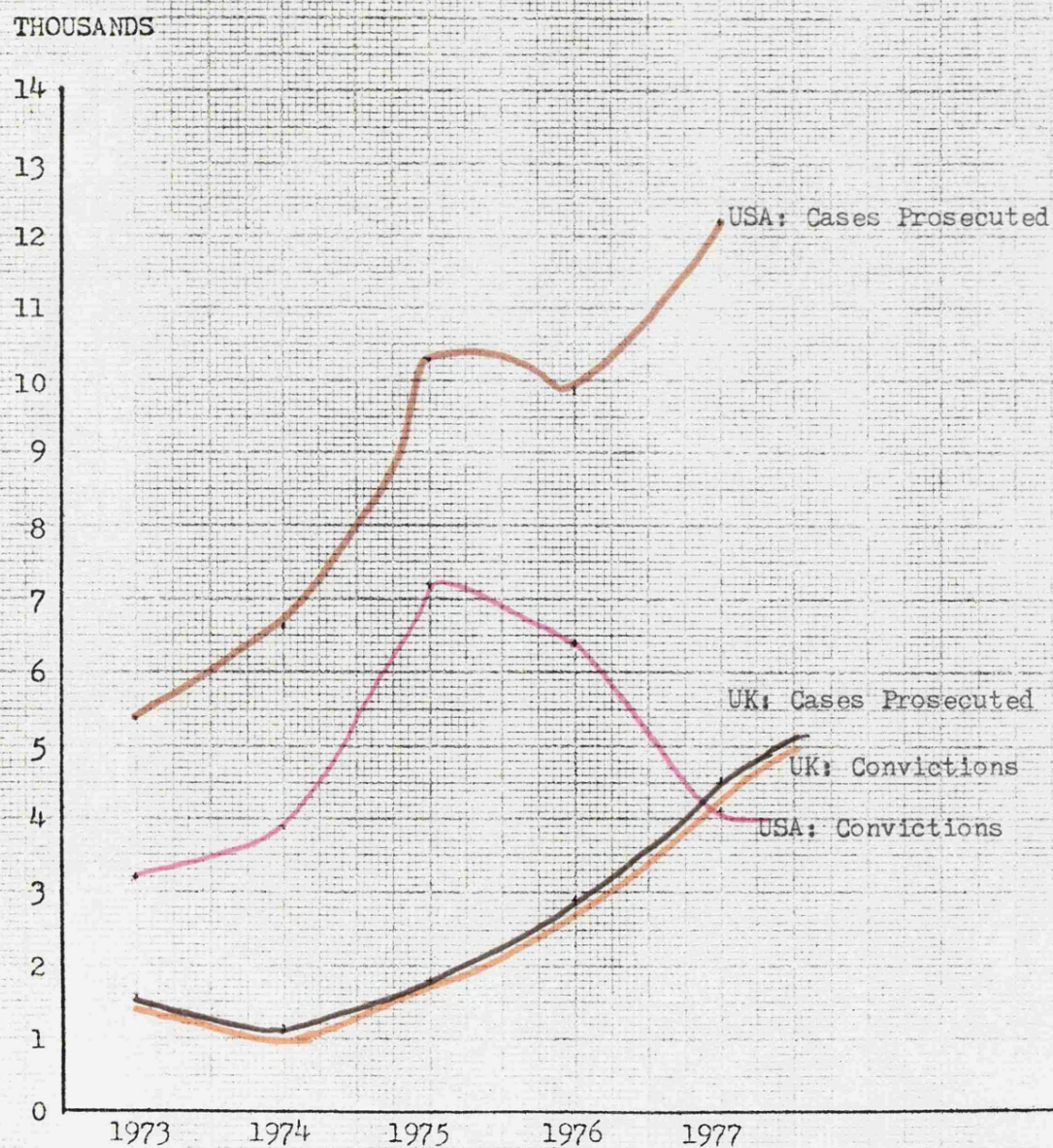
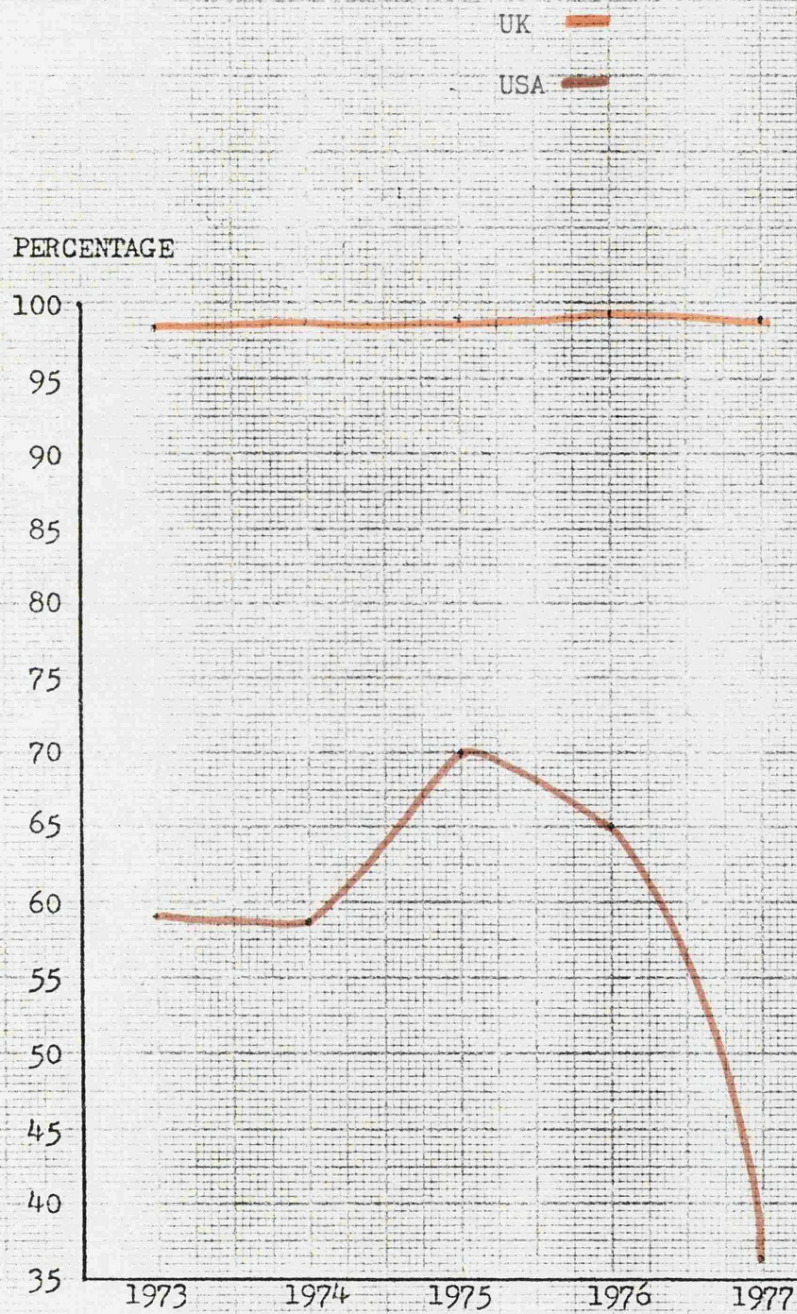
COMPARISON OF UK-USA CASES PROSECUTED/CONVICTIONS OBTAINED

TABLE 5.7b

COMPARISON: UK-USA PERCENTAGE OF CONVICTIONS
OF TOTAL CASES PROSECUTED



CHAPTER 6

COMPARISON OF BRITISH AND AMERICAN EMPLOYERS' AND CLAIMANTS' ATTITUDESIntroduction

Attitudes are elusive properties. They are often fleeting, products of momentary states of mind which result from a particular set of real or fancied circumstances, or as a consequence of a specific phenomenon which occurs only infrequently or never again. On the other hand, attitudes may be products of slower development and gradual solidification over an extended period of time, thus not results of pure chance or atypical situations. In any case, attitudes are indications of feelings, impressions, emotions, affections and disaffections, biases, prejudices and convictions which may or may not be traceable to sound data bases. Formal definitions of the term "attitude" agree that it is a "settled behaviour, as indicating opinion", or a "settled mode of thinking".

Examination and interpretation of British and American attitudes toward unemployment insurance and the benefits which it provides required inquiry into the two attitude sources most concerned: employers and claimants. For each of these sources, two approaches were followed, each entailing random sampling either by interview or questionnaire, with a total sample of 565.

The first approach was qualitative, based on interviews with 247 members of both employer and claimant blocs, exploration of existing literature and research of media reportage. For purposes of easy

reference, labels have been coined and assigned to the attitudes which have emerged most clearly from the research.

The second approach was quantitative, consisting of analysis and interpretation of statistical data obtained from 318 employers and claimants by questionnaire. It is emphasised that each of these approaches should be construed as contributing in equal measure to the purpose of this chapter.

The quantitative approach is not intended to provide point-for-point support to the attitudes discussed in the qualitative approach. This was the initial aim: the means to achieve it were explored during the initial design stages of the research. During preliminary tests to determine the exact content of questionnaires, it became apparent that inclusion of any statement perceived by a respondent as requiring admission of attempts to defraud any part of the unemployment benefit system would result in his/her refusal to participate. Consequently, statements conveying the possibility of self-incrimination were eliminated from questionnaires, and personal interviews relied upon exclusively to provide such information. Respondents were more willing to express themselves frankly on matters having possible legal implications when no formal document was used to record their views.

Accordingly, the qualitative approach was allowed to assume its own character with the attitudes identified therein not tied to subsequent mathematical applications, but emerging instead from the ensemble of sources consulted: unstructured interviews, press and other media reportage.

Both approaches involved extensive contact with members of each population, employer and claimant, in both countries. Within the United Kingdom, contacts were made in the greater London area, Bristol, Bath, several locales in Scotland, as well as eastern Wales. In the USA, contacts were made primarily in the state of Hawaii, but also in California, New York, Illinois, Colorado and Mississippi.

With respect to the first (qualitative) approach, a total of 247 interviews were conducted from which qualitative data were derived. These interviews included worker-claimants and members of lower, mid and top levels of management in both public and private sectors. Footnote references to such conversations are confined to the term "interviews" instead of citing specific individuals. This was done to protect interviewee identity, a condition which many of them insisted upon prior to interview. In almost every such case, the interviewee expressed little which could be considered defamatory regarding the system or its administrators. Still, the blanket of anonymity was a frequent pre-condition to frank expression of feelings.

No formal writings devoted exclusively to attitudes toward unemployment benefits were identified during the research. Although some writers mention them, they do so in conjunction with the making of some other point. Such references rarely go beyond a simple acknowledgement that attitudes on this subject do exist and are of concern; elaboration, if any, is of the most general variety. Media coverage, on the other hand, provides a continuing source of valuable information since it reflects contemporary opinions on the operation of the benefits system as derived from investigative reporting and statements from members of both the public and private

sectors. Included in media coverage from time to time is reportage of claimant attitudes, particularly those which are based on some unusual human interest feature.

Assignment of labels to attitudes discussed herein is necessary as a reference tool. From interviews and media, attitudes emerge from an unstructured series of phrases, anecdotes and viewpoints expressed in ways and language highly personal to the individual respondent. From this tangle of individual sentiment, much of which is markedly idiosyncratic, identifying labels have been coined for easy reference. Each such label is applied to embrace a number of sentiments among which a discernible grouping has emerged.

In both countries, equal time and emphasis were placed on obtaining information through personal face-to-face and telephone contact with employers and claimants, and through their responses to written questionnaires. While each of these means produced usable data, the synergism achieved in using both means complementarily is believed to have yielded greater value than would have been the case if either means had been used exclusively.

First Approach: Qualitative

General British and American Attitudes

Traditionally, Great Britain and the United States have exhibited immense pride in being work-oriented societies. The "Protestant Ethic" has been revered in their pulpits and legislative utterances

for several centuries. In the United States, through direct importation from England during initial colonisation, the moral and psychological value of work has been consistently emphasised. The medical profession lends its prestige to such emphasis, attaching significance to it in physical conditioning and rehabilitation programmes. "Whatever reservations there might be in individual cases concerning the appropriateness of employment as a psychological goal, there is a deeply rooted belief in our society that, to put it simply, 'work is good for you.' Such a belief is open to challenge but must not be lightly dismissed in an appraisal of administrative policy."¹

A collateral attitude, shared by both nations in their legislative histories, is that public funds should not be used to support those who are able and available to work but contrive to avoid doing so. Some discussion was accorded this point in the chapter on legislative philosophies earlier in this study. This belief has been altered considerably through progressive liberalisation of the ensemble of benefit policies. It appears now as a generally accepted modus that public funds can and should be so used, although on a temporary basis, to maintain the income level of unemployed persons seeking new work who have in the past demonstrated their regular attachment to the workforce. This point is corroborated by the results of quantitative analysis, as discussed in the second section of this chapter.

Still a third common tradition in Britain and the USA centres on the material incentive offered by work. This point has been woven

1. Stevenson, Olive. Claimant or Client? London: George Allen & Unwin Ltd., 1973.

consistently into the fabric of Parliamentary and Congressional debate and legislation. It is clear that financial and material incentive is closely related to the work motivation of most individuals. Incentive is a fluid property, however, there is no clear-cut point at which a comparison of wages with units of output per man can lead to confidence that the work incentive for that particular individual can be either measured or determined solely by the amount of his earnings.

The average British or American worker in the mid-eighteen hundreds put in about seventy hours per week on the job, usually from six in the morning until six at night.² Before and during World War I in Britain, just as before and during the Great Depression of the 1930's in the United States, similar work patterns were common among unskilled and semi-skilled trades. The work ethic was ingrained into the thinking of the population-at-large; only mavericks flouted it - and they were scornfully relegated to the fringes of society.

Yet, the traditional respect for these values has been progressively eroded. Jargon has developed on both shores during recent times which indicates the increasing awareness, and a certain acceptance, on the part of the general public that the sum of "unemployment" plus "dole" as equalling "stigma", as discussed in the chapter on legislative philosophies, is not longer accurate. This jargon contains terms such as "voluntarily unemployed", "layabout", "work-shy", "scrounger", and others to describe those whose life-styles makes them appear unemployed by intent rather than by forces beyond their control.

2. Wigham, Eric. "80 Years of Ministering to Industrial Relations." Department of Employment Gazette, March 1976.

Galbraith points out that "in a society of high and increasing affluence, there are three plausible tendencies as regards toil. As the production of goods comes to seem less urgent, and as individuals are less urgently in need of income for the purchase of goods, they will (choose to) work fewer hours or days in the week. Or they will work less hard. Or, as a final possibility, it may be that fewer people will work all the time."³ It is Galbraith's "final possibility" that is especially germane to the subject matter of this chapter.

In Britain, the unemployment level was viewed in 1974 with acute alarm. The total number of unemployed during the month of October that year was reported as 607,000, about 2.7% of the workforce.⁴

"A world that has seen record growth, record inflation, higher interest rates than ever before and a worse stock market crash than in 1929 cannot dismiss the probability that record unemployment will follow unless something dramatic is done to stop it, like wage freezes at home and international co-operation on petro-dollars abroad."⁵

In the light of the 1978 British unemployment figure, nearly triple that of the 1974 example, the prophecy of "record unemployment" seems well-founded. UK and USA unemployment levels, shown as a percentage of their total workforce respectively, are at Table 6.1 for the period 1973-1977.

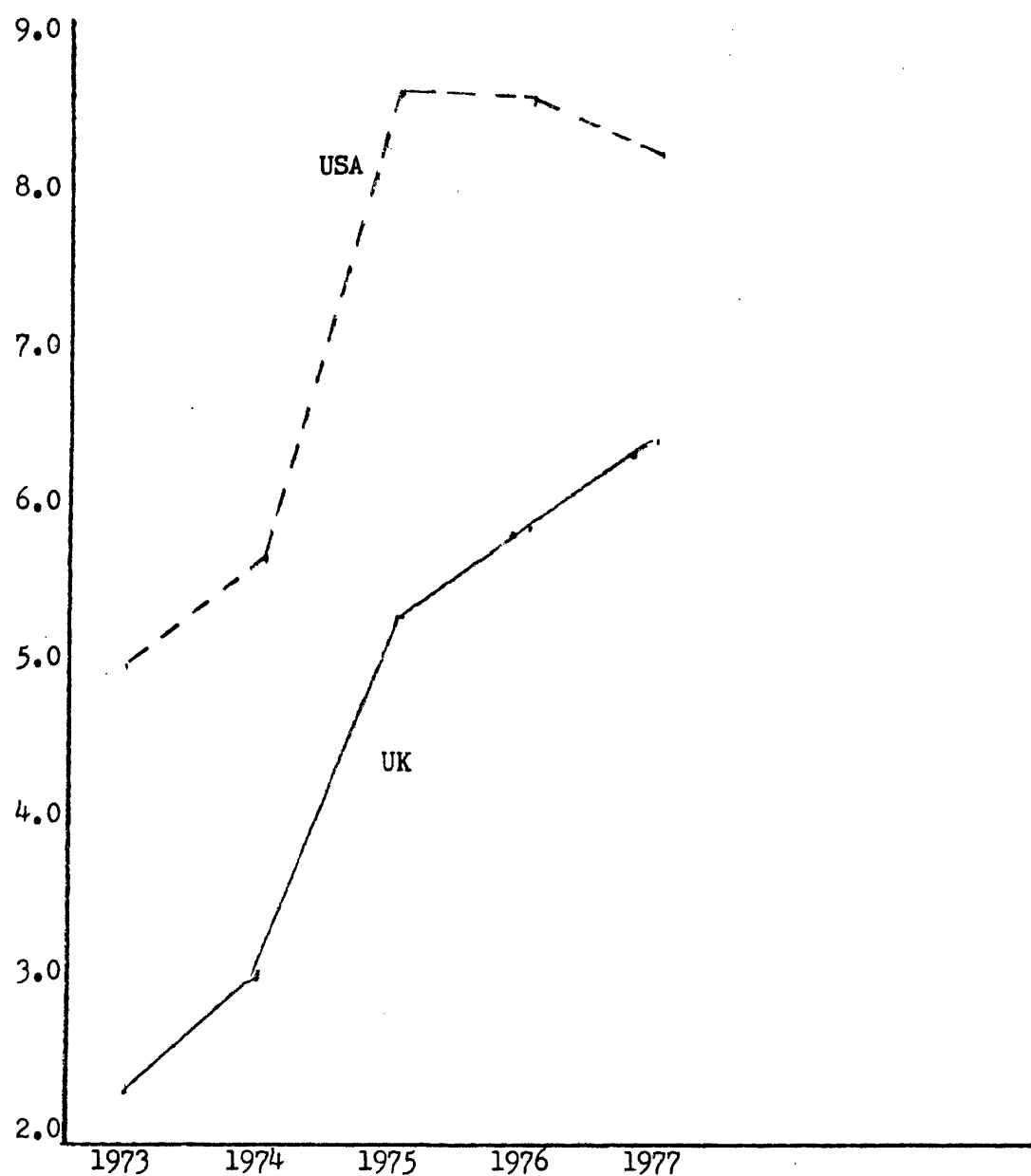
Pursuing the 1974 example, reduction of the unemployment level appeared to be less of an urgent matter a year later, in May 1975, when it was reported that "some of those who argue that ministers

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3. Galbraith, John Kenneth. The Affluent Society. Boston: Houghton Mifflin Company, 1976.
 4. Business Brief. "Britain on the Dole". The Economist, 26 October 1974.
 5. Ibid.

TABLE 6.1

UK AND USA TOTAL UNEMPLOYMENT (as percentage of workforce) FOR PERIOD
1973-1977

Percentage



UK data: Department of Employment Gazette. London: HMSO.

USA data: U. S. Department of Labor, Bureau of Labor Statistics. Washington D.C.

should not panic about a million unemployed (900,000 in April 1975) believe that the official unemployment figures seriously overstate the numbers in the labour pool willing and able to work."⁶ Adherents to this more tolerant view of the number of those not working stated that many of those registered as unemployed were "just changing jobs, are incapable of work because of old age, ill-health or lack of the right skills, or live in the wrong places and are unwilling to move, or just do not want to work."⁷ This 1975 reference to decline in the general sense of urgency to reduce the unemployment level appears not only more firmly entrenched but is represented by the press in 1977 as a key element of Government policy.

"The second key element of the (Government) strategy is that it involves the toleration of very high unemployment levels. The Government has tacitly abandoned any significant reduction in unemployment before next year, confining its efforts in this direction to limited and specific measures to help ease the special problems of jobless youths. Indeed, it is in effect relying on the high unemployment rate to help make State Three workable."⁸

The United States, during that same period between 1974 and 1977, experienced many of the same economic-cum-labour trauma as Britain, but started from a 1974 unemployment rate twice that of Britain. While Britain's rate hovered near the 2.7% mark, USA's averaged 4.5% in 1974, climbing to a high of 8.5% in 1975 and gradually declining to 6.1% in early 1978. Thus, the surge of unemployment in Britain was

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- 6. Schools Brief. "Britain's Unemployed". The Economist. 17 May 1975.
 - 7. Ibid.
 - 8. "Modest Boost to Economy in Autumn". The Sunday Telegraph. 3 July 1977.

matched by a corresponding increase in America, with an accompanying dramatic rise in claimant traffic in both nations. Unemployment rates provide the best means for comparison; number of unemployed cloud the comparative picture due to the disparity in relative size of British and American workforces, roughly 22 million in Britian and 95 million in the United States.

As in Britain, the urgency felt by a growing number of the unemployed to seek new work is perceived to be declining by writers and administrators in the field. Guzzardi in 1976 suggested that the alientation of many unemployed to steady work may be due in part to the "buffers" which "Shield the jobless from attendant hardships."⁹ He stated further: "Out there in the market place, there may be an unfilled job for every one of the 7.6 million unemployed; if not, there are surely enough jobs to reduce the number drastically." Levenson estimated in 1977 that "the growing effects of changes in labor force composition, growing voluntariness of unemployment, and changes in reporting have added about 2 per centage points to the unemployment rate since the early 1960's. As a result, an unemployment rate of 5½ to 6 per cent in mid-1977 compares to an unemployment rate of 4 per cent in the early 1960's."¹⁰

The attitude of the federal government of the USA toward the seriousness of the unemployment rate is difficult to ascertain. On the one hand, Secretary of the Treasury Blumenthal stated, in response to Newsweek's Arnaud de Borchgrave's question as to what is a "reasonable" unemployment rate for the nation, "nothing is reasonable

9. Guzzardi, Walter Hr. "How to Deal with the New Unemployment". Fortune, October 1976.

10. Levenson, Irving. The Unemployment Problem. Croton-on-Hudson: Hudson Institute, July 1977.

and anything over 5 per cent is unreasonable."¹¹ On the other hand, a Humphrey-supported bill in Congress as recently as March 1978¹² seeks to establish a 4 per cent unemployment rate as official "full employment". Although there is no evidence to suggest that the British government entertains a similar dichotomy of views as to what should be an officially-recognised full employment unemployment rate, it is clear that both governments are more amenable and tolerant than ever before to higher rates of unemployment. In Britain, the press has called this tolerant attitude a "key element of Government policy".

Attitudes on Cost Factors in Unemployment Benefits

The subject of costs is a two-faceted property as regards unemployment insurance: on the one hand is the employer's contribution, and on the other that of the employee. As stated in the chapter which compares administrative procedures, there is a marked difference between the requirements of the British system and those in general use within the United States. In Britain, unemployment insurance is one element of the overall contribution to National Insurance (NI) and is paid on a shared basis by employer and employee. In the United States, contributions are paid as a separate tax by the employer only in all states except Alabama, Alaska and New Jersey.

The subject of attitudes toward costs of funding such insurance

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11. Borchgrave, Arnaud de. "And Some of His Plans." Newsweek. 27 December 1976.
 12. Introduced into Congress by Senator H H Humphrey prior to his death, this bill continues to receive active sponsorship by his widow, Muriel Humphrey, who was appointed to serve out her husband's term of office by the Governor of Minnesota.

tends to be somewhat less visible in Britain than in the United States because of this shared versus unilateral aspect, respectively, of who pays the bill. About 73% of American employees interviewed appear simply to view unemployment benefits as their due; they showed neither knowledge of or interest in the funding source since they are not obliged to contribute. This is not to say, however, that unemployment benefit costs are not commented upon in Britain. Simply, they are not as identifiable as a specific element of the weekly NI contribution as in the USA.

For example, a Hawaii employer is taxed for unemployment insurance at 3.5% of each employee's first \$9,300 annual earnings - the employee contributes nothing to this fund. This tax is separate from all others - Social Security, Disability Insurance, medical plans, and the like - to some of which employees do contribute. The part of British NI contributions which go to UB are calculable only as part of an annual estimate. An accurate percentage or amount of each employee or employer NI contribution applied specifically to UB is not identifiable. Each year the Government actuary estimates expenditure on benefits, including UB. For the year 1977-1978, this estimate of total expenditure was £9,282 million, of which £677 million (about 7.3%) was estimated for UB. "This represents about 7.3% of the product of that part of the contribution which goes to the National Insurance Fund and 5.8% of the whole contribution income."¹³ Of the employers' contribution, 2% is a straight surcharge and goes to the Treasury, not the NI. An additional 2% of the contribution income goes to support the National Health Service and a small percentage (less than 1%) to the Redundancy and Maternity Pay Funds. It is emphasised that the above figures are estimates only.

13. Letter. Department of Employment (M E Green), 28 July 1977

Pooling of such funds under the British system permits mid-stream re-allocation of monies among the various elements of the NI programme on an as-needed basis.

Tom Forester, writing in the New Society, stated: "As the Government battled, rightly or wrongly, to reduce public expenditure, one factor is remorselessly driving it up - unemployment now standing at 1,330,000 or 5.6% of the labour force. During the 13 weeks ended 28 May 1976, expenditure on unemployment benefit alone (that is, not including any supplementary benefit payments or administrative costs) amounted to £138,710,000. Exactly a year before, in the corresponding period, the cost was only about £82,449,000."¹⁴ This is an impressive quantum jump of 70% in the space of one year in the cost of income maintenance for unemployed persons.

In the United States, 1975 and 1976 were peak years for unemployment insurance claims. Over 19 million first payments were made within that 2-year period, with a total benefit cost of \$24.2 billion. A first payment is that paid for the first compensable week of unemployment. In 1975, 11.1 million payments were made at a total cost of just over \$13.1 billion. In 1976, with the economy improving, 8.6 million first payments were made and a total of \$11.0 billion was spent in benefit payments.¹⁵ Even though this represents a decline in the total dollar amount of benefit payments nationwide, state autonomy exercised to adjust levels of payment according to economic and unemployment conditions within each state made for increases in some states and declines in others. Important here is the totality of impact on

14. Forester, Tom. "Who, Exactly, Are the Unemployed?" New Society, 13 January 1977.

15. Shimonkevitz, Ruth. "To Catch a Cheat". Worklife, February 1978.

employers' cost of doing business as a consequence of rises in payroll taxes in 47 of the 50 states. Although the federal regulations call for a payroll tax floor on the first \$4,200 of wages or salary, certain states have doubled that figure in order to re-establish Unemployment Trust Fund solvency. Hawaii, for example, requires 3.5% tax on the first \$9,300 of wages or salary per capita employee.

As pointed out in the chapter comparing procedures, twenty-two states have run through their state unemployment funds and are technically bankrupt. At the end of the 1976 fiscal year, the General (federal level) Trust Fund showed a balance of some \$5.5 million¹⁶, but that balance is illusory. The system overall has had actually to borrow some \$10 billion (£4.9 thousand million) from the U.S. Treasury to keep afloat. It has long since passed through the shadow line of feeding at the public trough and become a full-fledged public charge, despite technical responsibility on the part of each state to provide unemployment benefits from its own revenues.

British attitudes on the benefit costs were aired in Parliament and in the press on the publication of the Ninth Report of the Committee of Public Accounts of 29 September 1977. The spirited discussions in the House of Commons which greeted its release provided grist for the mills of every newspaper in Britain.

The key issue was the overpayment to claimants in all categories including unemployment benefits during the 1975-76 financial year, the grand total of which was reported by the Committee as £10,800,000 into the hands of 735,852 claimants. Of this sum, £2.6 million was

16. Davenport, John. "The Welfare State vs the Public Welfare". Fortune, June 1976.

attributed to fraud of some kind involving 80,660 cases; roughly £5.2 million was due to official (DHSS or DE) error, with the remaining £2.9 million paid out because of mistaken information supplied by claimants during filing procedures. From the DE an identification was made of UB total overpayments and a trend line established of comparison, USA figures have been incorporated into similar trend lines. This comparison is shown at Table 6.2. Total UB overpayments are those made for all reasons, to include administrative error. UK total and fraud UB overpayments reflect parallel increases of 370%, while American total overpayments rose by a lesser 300% and fraud overpayments by 240%. In both nations the most dramatic increase in total overpayments occurred between 1975 and 1977.

The British Ninth Report created a "cause celebre" in the House and furnished Members belonging to the watchdog (of DE and DHSS) bloc a ready-made issue with which to press further the theme of previous allegations that the two Departments were slack in assuring prevention, detection and prosecution of wrongful claims. MP Iain Sproat said that "the figure of £2.7 million overpaid through fraud was an absurd underestimate...I would put the amount lost to the taxpayer as more than £200 million."¹⁷ Mr Campbell Christie, Deputy General Secretary of the Civil and Public Servants' Association reacted angrily to the Report accusing the Committee of hysteria and "getting their knickers in a twist."¹⁸ He said further that the real problem was the £240 million of benefit not claimed by those who need them - no explanation of that figure appeared in the press. Referring to the 0.12% of the total benefit expenditure reported as overpayment by the Committee, Mr Christie asked: "How

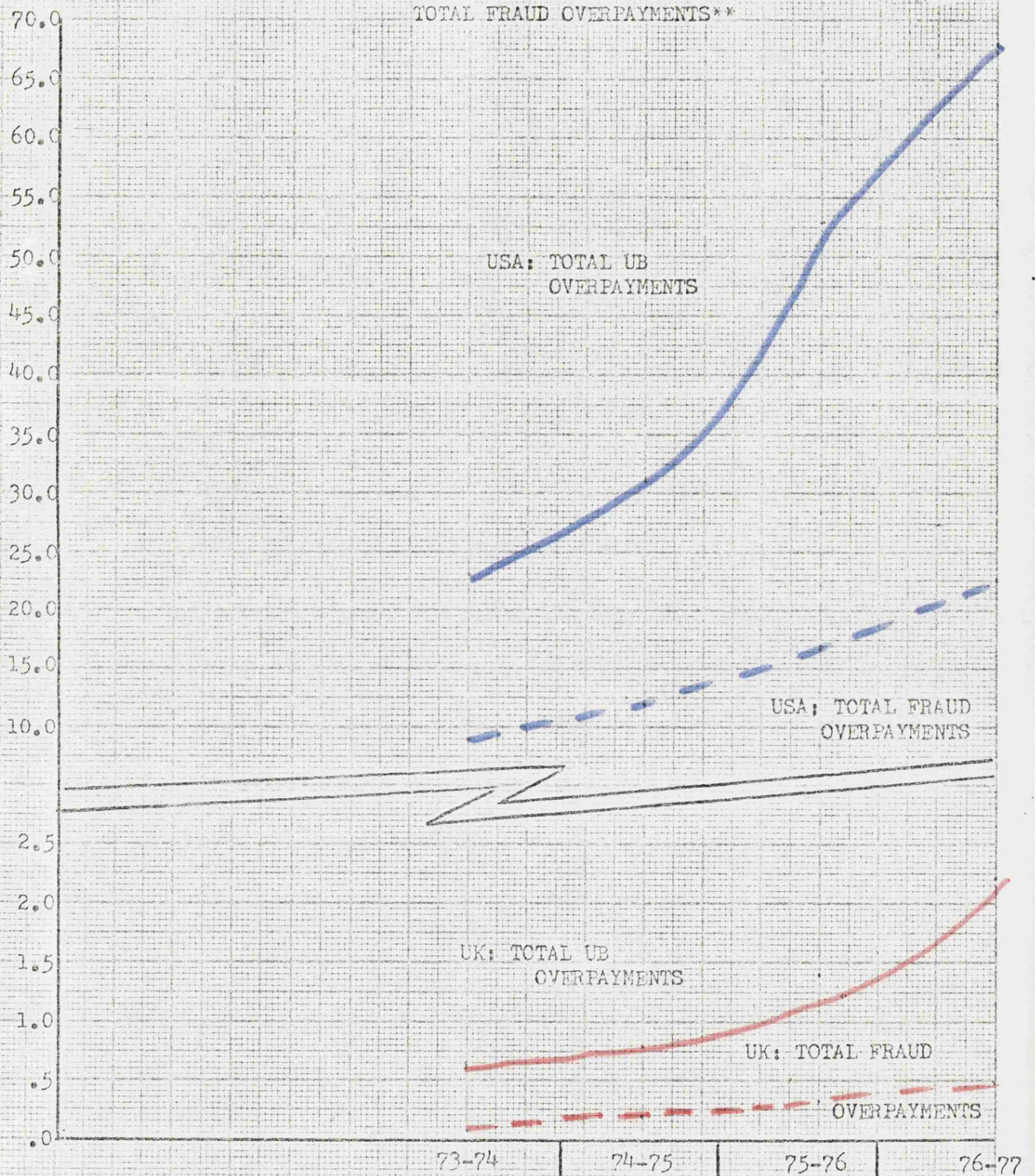
17. The Times, 30 September 1977

18. The Sun, 30 September 1977

TABLE 6.2

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MILLIONS

COMPARISON: UK-USA TOTAL UB OVERPAYMENTS*
TOTAL FRAUD OVERPAYMENTS**

	73-74	74-75	75-76	76-77
UK TOTAL UB OVERPAYMENTS	580,000	750,000	1,350,000	2,130,000
UK TOTAL FRAUD OVERPAYMENTS	116,000	150,000	270,000	426,000
USA TOTAL UB OVERPAYMENTS	23,210,000	31,736,000	53,150,000	68,400,000
USA TOTAL FRAUD OVERPAYMENTS	9,315,000	11,840,000	16,800,000	22,630,000

*Payments to individuals not legally entitled to them; includes administrative error and fraud.

**Payments made through fraudulent claims.

***Dollars converted to pounds sterling @ \$1.90.

many businesses make as few mistakes as that?"

Press reports featured such headlines as "Whitehall Bunglers Lose £5m",¹⁹ "Benefit Overpaid By Only £10m".²⁰ While the headlines were obviously geared to stir readers' ire, certain of the newspapers in discussing the facts of the matter, took pains to lay them out in a context of sober objectivity. The Financial Times pointed out that the average error per case of £14.67 and that the overall overpayment, staggering at first glance, actually represented a "mere 0.12% of total expenditure on benefits...Considering the enormous size and complexity of the system, this is an insignificant level of error."²¹

Attitudes Toward Claimant Changes of Residence

The tendency on the part of certain claimants to change residence and draw benefits from UBO's in other than their usual home locations is attracting closer public scrutiny. Long removed from the 15th century restrictions against such movements, workforce mobility in the United Kingdom has been on the increase during the past century, and has been encouraged especially during the past 60 years as one means of establishing employment balance among regions of differing economic health. In the United States, workforce location shifts have traditionally been a way of life. During the early colonial times, and even later when railroads were being extended across the continent, worker mobility was a necessity for continuing the

19. Daily Mail, 30 September 1977

20. The Times, 30 September 1977

21. Financial Times, 30 September 1977

westward movement of the frontier. American workers gravitate from no-work areas to places where greater promise of employment beckons. The last large-scale relocation of workers occurred during the thirties when dust storms ravaged the farms of Oklahoma, Arkansas and some of the other plains states, stimulating farmers to seek work further westward in order to feed their families. Steinbeck's "Grapes of Wrath" was a major portrait of the life of workers on the move during that era.

The attitudes expressed by the general public toward unemployed workers who move to new places and there collect unemployment benefits are perceived as uniformly adverse in Britain and in the USA. British journalists writing during the summer and early autumn of 1977 left no doubt as to the public temper toward the mobile exponent of the "Why Work" attitude. The Evening News ran an editorial which drew attention to the "familiar...happy, smiling pictures of bronzed scroungers queuing up for their pocket money outside (UBO) offices on the South Coast...it is galling to reflect that healthy young welders from Birmingham, say, can present themselves in Torquay, claim to be looking for work, knowing full well that there is none to suit them, and take their ease thereafter at the expense of the taxpayer...The ill-paid and sometimes inexperienced clerical staff have to contend day after day, with a bewildering assortment of problems...a harrassed girl counter clerk, one imagines, is no match for a plausible and practised parasite."²² Yet, what these "parasites" are doing in such cases is perfectly legal.

In the United States, similar indignation is felt toward the unemployed "vacationers" but, again, the practice is unassailable on legal grounds.

22. Evening News, 30 September 1977

Although each state operates its own brand of unemployment benefits system, a condition for federal approval of state unemployment insurance laws - necessary to permit the state to receive federal subsidy to cover state administrative costs - requires that "compensation shall not be denied or reduced to an individual solely because he files a claim in another state...or because he resides in another state...at the time he files a claim for unemployment compensation".²³

Accordingly, all states have entered into agreements which allow an individual to collect unemployment benefits from the state in which he has established eligibility, although he is not physically present in that state. The state in which the claimant files his claim accepts it, acting as agent for the state that is liable for the benefits. Determinations as to eligibility, disqualifications, and the amount and duration of benefits are made by the liable state. The purpose of these agreements is to encourage a claimant to move from a state where no suitable work is available to one where there is a demand for the type of service the worker performs. The rationale here is that to do otherwise would inhibit the mobility of labour and tend to prolong a claimant's unemployment in some cases because of his reluctance to seek work in another state. As an example: laid off from his job in the Philadelphia area, a young welder moved to Atlantic City for a summer of sun, fun and unemployment benefits. For more than a year he received \$91 (£43) a week tax-free, collecting cash on the side working part-time as a bartender. By no means is this an isolated example. One week in the winter of 1975, New York (state) mailed 12,234 unemployment cheques to Florida, 7939 to Puerto Rico and 5457 to Southern California. In Washington, a state with high unemployment at that time, a study by the Seattle Times reported that "30 per cent of the 140,000 persons drawing

23. U.S. Federal Unemployment Tax Act. Section 3304(9)(A). 1935, as amended.

benefits are not entitled to them under the original intent of employment security laws."²⁴

Effectively, these regulations permit American unemployed workers to enjoy the same type of benefits while transients, say, in Florida as their British counterparts from Birmingham do in Torquay. The public attitudes expressed toward these practices on both sides of the Atlantic are the same: angry frustration at the permissiveness of the law.

Employer Attitudes

Subjective analysis of British and American employers' attitudes toward unemployment benefits reveals little disparity between them. They appear to sympathise with the plight of their workers, especially those with families, who have been laid off or permanently terminated due to economic pressure beyond an employer's control; and they support the right of such persons to unemployment benefits while searching for new jobs. These same employers are virtually unanimous in their condemnation of three major aspects of the system: the costs they must bear, permissiveness toward "layabouts" who are able to subvert the intent of the system to finance their voluntary unemployment, and the erosive effect of governmental employment policies on their right to manage.

The only significant disparity between British and American employers appears in the cost area, and even then it is not a fundamental

24. Op Cit. Tomlinson, Kenneth Y

difference, but rather a question of visibility, as discussed in a previous section of this chapter. Within the context of this section on employer attitudes, costs play such an important role as to merit some further discussion and to serve as a departure point for discussion of the other two major aspects.

Businesses in the USA which once were little concerned about unemployment insurance costs are now finding them a significant profit leak. These taxes have mushroomed in recent years because of their higher benefits, longer periods during which benefits are paid, and increased numbers of claims. For example, a Mid-western company with 2,500 employees throughout six states paid about \$75,000 into state unemployment insurance funds during 1971. In 1977, the company paid approximately £150,000.²⁵ When current trends are extrapolated for the next several years, this same company anticipates a further doubling of the current figure to \$300,000 for unemployment benefits alone, exclusive of all the other taxes to which employers are obligated.

A Denver certified public accountant (chartered accountant) representing a cross-section of small businesses complained about a rise in employer payrolls tax: "This rate increase caused a greater burden on these clients; a burden to which they strongly object and cannot continue to bear."²⁶ Another employer (Hawaii), representing some 300 other employers, links rising payroll taxes for support of unemployment benefits to slipshod administration of the system: "I believe that Department's (Department of Labor and Industrial Relations)

25. "Tightening Up Unemployment Pay Rules". Nation's Business. March 1977.

26. Turner, Thomas A. Letter to the Denver Post; published therein 18 June 1976.

record of misbehaviour has been a significant factor in unnecessarily increasing the costs of benefits (to employers) and depleting the (Unemployment) Trust Fund. It has been my personal experience that the efficiency of the Department has continued to decline... Particularly is (an) explanation deserved by the businessmen of Hawaii; they are the ones - the only ones - being required to maintain the Trust Fund by a tax upon their payrolls."²⁷

Pointing up once again the difference between British and American employer views on costs as related to who pays the bill, Keith Davis wrote: "Qualifications making claimants either eligible or ineligible were initially put into the law to protect the employer, who after all pays the full cost of the unemployment programme. It is a fact that the same employer who foots the bill has little control over claimants who decide to leave the job. It is, therefore, proper that there be some control in the law to protect that taxpayer."²⁸

On the other two major aspects of employer attitudes, subversion of the system's original intent and governmental restrictions on labour practices, British and American employers speak in the same angry voice. British employers denounce "Government policies which take away our right to operate our business and our people so we can remain profitable and survive."²⁹ Such employers see themselves as something like forgotten men in that, in their view, many labour-related legislative actions seem to be devoted to the benefit of

27. Brodie, Lex. Small Business Association Speech Report. Honolulu: 23 September 1976.

28. Davis, Keith D. "Responsibility for Job Decision". Chicago Daily News, 18 June 1976.

29. Interviews: Trowbridge, Bath, London, Portree, Inverness, July-October 1977.

unemployed persons without regard for how they became unemployed or the degree of conscientious effort they are making to become re-employed. American employers join with their British counterparts in voicing resentment against government-sponsored protective devices for employees which are seen as discriminating against employers as providers of jobs and to favour claimants who do not wish to work but live on the backs of those who do.

Employer "Fiddling"

Nor are employers' attitudes confined to problems of managerial options vis-a-vis regulated industrial relations. Those interviewed on both sides of the Atlantic expressed their ire in the strongest terms against their own kind when the subject of collusion between employer and employee was mentioned. Cases of collusion between consenting employer and employees who draw benefits while working are difficult to track-down and prove, even when experienced investigators are on their track. Collusion most often is found where an employer agrees to hire someone who is drawing unemployment benefits and not report the fact to the local UBO. This permits the employer to avoid his per capita contribution for the employee, while the employee continues to sign at the UBO and draw his second (benefit) paycheque. Or, in the United Kingdom, the employer admits only to paying the claimant 75 pence per day, which entitles the claimant to continue on full benefits. In reality, such an employer normally pays somewhere closer to the going rate, yet the net advantages to each party in terms of avoidance of taxes is the same. Upstanding employers hold no brief for this type of conspiracy, and appear to be much harder on an offending employer

than on an involved claimant. In Bristol, one interviewee-employer made his position clear: "Businessmen who lend themselves to such fiddles as that are doing their own kind out of this money, and the public as well. They want their backsides kicked."³⁰

On this subject, employers tend to support the British Government's position as expressed by Mr Stanley Orme in early 1977: "In particular we shall pursue every possibility of dealing more effectively with collusive employers who, for their own financial advantage, help claimants to benefits to work on the side. Our two Departments (DHSS and DE) are very ready to examine any evidence that can be provided for collusion by employers, and to take firm action against it."³¹ British officials and employers find reason to rejoice when collusion comes to light.

In the case of British claimant Dennis Thompson and employer Terence Young, the court found that the former had been working as a labourer for the latter over a period of two years at £35 per week while drawing unemployment benefits and also supplementary benefits. Thompson was jailed for 15 months; his accommodating employer, Young, was fined £200 and another £200 for court costs.³² In another case, an employment agency manager was being pressed to get workers at a time when they were better off receiving unemployment benefit, according to the story told to Preston Magistrates in October 1976. The manager made up false names for his company's clients so that they would work part time and still claim state benefit. The manager, Paul Martin, pleaded guilty to six specimen charges and

30. Interview: Bristol, 27 July 1977

31. "Parliament". The Times, 17 February 1977

32. "Judge Calls for Probe". Newcastle Journal, 24 December 1976.

asked for another 36 cases to be considered. Martin stated:

"People came in knowing I could get them work under false names so their benefits would continued to be paid them."³³

American administrators of unemployment benefits are well aware that the same type of employer "fiddles" are being perpetrated in various states of the United States. The most frequent complaint against American employers is that they fail to report employee wages, for one reason or another. "Some pay wages in cash and do not report them, thereby attempting to escape paying taxes and permitting claimants to draw benefits while working", John F Meystrik, Director of Missouri's Division of Employment Security said.³⁴ Montana Administrator Barrett went further: "When an employer tries to avoid paying taxes (for unemployment insurance), it is either done consciously, with the employer knowing that we do not have sufficient resources to audit employer accounts as often as we should, or the evasion is done without full knowledge of the method of taxation, rates of taxes, and the like."³⁵ Neal S Crosier, Massachusetts Administrator of Unemployment Insurance,³⁶ said that he has found instances of employers letting workers go for cause while in fact releasing them for lack of work. Some cynical industries in Massachusetts have used the jobless pay system to maintain a labour force by spreading available work among as many employees as possible and clearing the way for others to collect unemployment insurance benefits. The growing popularity and efficiency of computerisation of records is aiding measurably

33. "False Names for Clients". The Times, 2 November 1976.

34. Report to State Legislature of Missouri. August 1977.

35. Barrett, Edward K. Speech to Butte (Montana) Rotary Club, 30 January 1978.

36. Conference of State Civil Service Administrators, Boston, 14 March 1978.

the ability of state officials to detect employer-employee collusion operated for the purpose of mutual advantage. Hawaii requires all hires and discharges to be reported by name to the Department of Labor and Industrial Relations; this enables cross-match of claimant rolls with employer reports to determine suspected "earning while drawing" instances. Colorado, Mississippi, New York, Illinois and a growing number of other states have or are in the process of instituting similar procedures in order to reduce the collusion incidence. British and American attitudes among legitimate employers toward this practice are uniformly accustory and insistent that such cases be prosecuted to the full extent of the law.

Claimant Attitudes

"Why Work"

The "Why Work" label applies to what appears currently as an alienated approach to the long-standing work ethic by some British and American claimants. This attitude evokes loud cries of censure from the traditionalist, Protestant-ethic-oriented members of society. Yet, the "Why Work" approach is defended and, in a sense, even marketed by others who are quick to extol the spiritual and philosophical uplift accruing to those who somehow avoid dedicating their full energies to work and material gain. These "Why Work" defenders are equally quick to illustrate in quantitative terms the erosion of material rewards to those who do exercise such dedication because of the tax bite into their earnings. As the British journalist Dancy puts it: "The Protestant ethic is in

flight...the traditional housemasterly policy of 'work now and play later' has fewer and fewer adherents."³⁷

Now Guzzardi addresses that same theme in respect to the USA by pointing out that those who lost their jobs through no fault of their own are barely over half of all the unemployed, and are mostly adults. "Many others are unemployed because of actions they took more or less voluntarily: they quit their last job, just joined the labour force or just rejoined it."³⁸

This attitude is a focus of controversy between those taking advantage of a benefits system either in the United Kingdom or in one of the American states to which they may contribute only to the extent necessary to insure eligibility, and the other major segment which supports the benefits system through consistent work. It is useful to examine the parties to this dichotomy.

A good place to start is with those who take advantage of the system and opt for a benefits-based life-style, the so-called "voluntarily unemployed", defined in this context as those who intentionally remain unemployed. There are probably members of this group whose anti-work attitudes derive not from particular occupational frustrations, but from the values of their particular sub-culture. Experienced officials in both countries are convinced that there are certain men whose irregular or casual employment and consequent reliance on unemployment and other benefits are as normal a way of life to them as the "war" waged by middle class taxpayers against the Inland Revenue (UK) or the Internal Revenue Service (USA). Such work-shy

37. Dancy, John. "Pop Goes the Protestant Ethic". The Guardian, 24 September 1977.

38. Op. Cit. Guzzardi, Walter Jnr.

persons appear to withhold their subscription to what are held generally to be the approved, conventional work standards of society.

Of related interest are two studies which inquire into possible contributory influences on formulation of work attitudes by young people.

In England, Dr West's studies suggest that criminal fathers are more likely than most to fill their pockets from the State, presumably when crime fails to pay, and that they have sons who inherit both delinquency and a "social attitude to welfare benefits."³⁹ His findings seem startling as they relate to benefit statistics. "A third of law-abiding fathers who had never been on the dole had sons who claimed. But well over half the fathers who had received unemployment pay had sons who had drawn it too."

Levenson (USA), in his 1976 study⁴⁰ is in general agreement with West's findings as they relate to the American experience with unemployment among the young. Of interest in this connection are the studies of American teenage unemployment among white and non-white segments of the population. Among these, the Armbruster-Bracken study concludes that the problem of the benefit-prone young, and especially young non-whites can be expected to improve only very slowly; indeed, some forces may work in the opposite direction. "The deterioration in educational performance over the last decade could make all youth more susceptible to unemployment in the future, and affect non-whites more than white. The growth of ghetto areas characterised by high crime, drug addiction, truancy, and racial hostility could contribute

39. West, Donald, Dr Medicine, Science and Law. January 1977. London: Macmillan, 1977.

40. Op. Cit. Levenson, Irving.

to unemployment and further stimulate benefit-based life-styles by hindering development of attachment to the labour force and of basic work habits and attitudes."⁴¹

In making a comparison, although the racial problem in Britain is of relatively more recent vintage than in America, the signs of ghetto-isation, open belligerency between whites and blacks, and dependency on state-granted benefits is moving rather quickly to parallel the current situation in the United States.

With respect to the erosion of work-related material gain, both the United Kingdom and the United States have liberalised unemployment benefits by increasing the tax burden on workers to the point where there is considerable economic basis for the "Why Work" attitude. Angus Maude, in discussing the political realities of unemployment stated: "Consider how little the present Government has in fact suffered politically from an unemployment figure of around one and a half million. It is way behind in the opinion poll ratings...But ten years ago an unemployment total nudging one and a half million, and showing every sign of a further continuous rise, would have produced something like a revolution." Maude sums up by saying: "Indeed, we have reached the anomalous position in which current tax thresholds and current rates of tax-free benefits can actually enable a man to enjoy a largernet disposable family income if he is out of work than if he is in a job."⁴² An opinion by former U.S. Federal Reserve Chairman Arthur F Burns provides American reinforcement to Maude's statements. Burns says it is imperative that governmental

41. Armbruster, Frank E & Bracken Paul. Our Children's Crippled Future. New York: Quadrangle Books, 1977.

42. Maude, Angus. "The Politics of Unemployment". London News, March 1976.

practices affecting labour markets be reviewed so that lasting measures for reducing unemployment can be established. He asserts: "The present unemployment insurance system may be providing benefits on such a generous scale as to blunt incentives to work."⁴³

According to the Morgan Guaranty Trust Company of New York, more and more economists are raising questions about the proper role of the jobless benefits programme, especially its impact on (lessening) work incentives. On the same point, Leonard Greene states unequivocally: "Benefits to the unemployed are high enough now so that some workers receive only a marginal gain in income when they return to work."⁴⁴

Some greater appreciation of the "Why Work" attitude can be acquired from actual reports of those who live by its tenets. One British claimant commented on his benefits as follows: "Isn't it marvellous to think of all those rich old men sweating their eyes out in their offices so that the likes of me can have a really good time?"⁴⁵

Another case tells of the "recollection of a young British miner on a residential course (while unemployed) in a stately country house who saw the wry humour in his 'living like a Duke, on the dole'."⁴⁶ Or yet another report of the redoubtable Mr Stud, known as the "super scrounger", who coined the motto: "Dominic's my name, and fiddling is my game." Of his weekly benefits, Mr Stud said: "I mean, how can I go to work getting the kind of money they (unemployed benefits) offer you? I could never live on it."⁴⁷

43. Burns, Arthur F. Nation's Business, March 1977

44. Greene, Leonard M. President, the Institute for Socioeconomic Studies. White Plains, New York, March 1977.

45. Bruce, Maurice. The Coming of the Welfare State. London: William Clowes and Sons Ltd, 1968.

46. Ibid.

47. Chapman, Ray. "Mr Stud the Super Scrounger Moves Into a Class of His Own". News of the World. 30 January 1977.

Mr Stud's American counterparts reinforce this attitude with the statement: "There are a million loopholes (in the unemployment benefit eligibility regulations of Louisiana) but most people are not smart enough to find them. Unemployment compensation creates a sort of utopia. It lets people work for a year and be on vacation for a year. Of course, one can't live like a king, but gives you a change to travel around, and that's the American dream."⁴⁸ In Michigan, a secretary was asked to research the ease with which workers could quit and draw unemployment benefits. In the process, she totaled up her own baby-sitting fees and other work-related expenses and found she would be more than \$100 per month better off staying home. She quit her job, and after a disqualification period, began receiving unemployment benefit cheques in May. Unless she takes a new job, she will continue to collect until June of the following year.⁴⁹ In Ohio, a 16 year-old high school student "was laid off last January from his evening job at a factory. He lived at home and attended school full-time. But he collected more than £1500 in unemployment benefit compensation."⁵⁰

Judgemental comparisons drawn from the preceding ensemble of opinion expressed by commentators and writers from both nations reveal little difference in the "Why Work" attitude among the unemployed persons who are partisan to it, whether in the United Kingdom or the United States. In both countries, this attitude is the antithesis of the traditional work ethic, still strongly prevalent in most segments of society. Yet, there appears to be an increase in the number of "Why Work" adherents as the take-home pay is progressively

48. Nation's Business, March 1977

49. Tomlinson, Kenneth Y. "Let's Stop the Unemployment Compensation Rip-Off". The Reader's Digest, December 1975.

50. Ibid.

eroded by the combined action of tax bite and inflation.

Claimant Attitudes Toward Benefit Administration

Certain British and American claimants' attitudes toward the unemployment benefits system operative in their respective country or state have been mentioned in passing earlier in this chapter. Particularly in the "Why Work" discussion, inclusion of some claimant views were essential to an appreciation of this specific attitude along with those of employers. It is appropriate now to compare British with American claimant attitudes which, as a result of a total of 247 interviews, are believed to reflect those of the working-class British and American claimant. For the purpose of this discussion, "working class" is comprised primarily of unskilled and semi-skilled workers who were unemployed at the time of interview, some for a few days or weeks, others for many months.

In Britain, locales within which a total of 134 interviews were conducted include the industrial and housing area of Deptford in London (35 interviews), the dock area of Bristol (28 interviews), and the premises immediately outside various unemployment benefit offices in London, Bristol, Bath, Harrogate, Inverness, Trowbridge, Midsomer Norton and Reading (71 interviews). In the United States, a total of 113 interviews were conducted: port area of Honolulu (33 interviews), Sacramento, California (14 interviews), Denver, Colorado (22 interviews), and 69 interviews in Illinois (Elgin and Maywood), New York (Buffalo and White Plains), Mississippi (Jackson and Hattiesburg), and Houston, Texas. Assurance was given in all locations in both countries, repeatedly in some instances, that

the anonymity of the interviewees would be respected.

Claimant attitudes in both countries were generally derogatory toward the system, as much with the "demeaning" nature of the administrative process of which claimants necessarily become a part as with the amount of benefit. The word "demeaning" was used by claimants themselves during interviews in Britain and the USA, and referred to a wide range of complaints; long waits for service in UBO's, discourteous UBO staff, difficulty in obtaining information or answers to special problems, and the like. While "generally derogatory" is an encompassing phrase, and relates to the expressed attitudes of 178 of 247 (UK: 107 of 134; USA: 71 of 113) claimants interviewed (72%), these conversations suggested they had become conditioned over a period of time to hold such views. For example, a total of 168 UK and USA claimants indicated that such views were an established norm within family or neighbourhood environment, or that they viewed the whole system unfavourably because of past frustrations in connection with administrative procedures. Although subjective comparison of claimant attitudes in Britain and the United States revealed no striking differences, interviews conducted to obtain data for this (qualitative) section indicated marked divergence between them with respect to the intensity with which these attitudes were expressed.

In Britain, great dissatisfaction was expressed by claimants toward the "demeaning" nature of administrative requirements. These reactions changed perceptibly the longer an interview continued, however, becoming less militant and more tolerant toward the system as time went on. Over the entire interview period in the United Kingdom, lack of understanding as to conditions of eligibility for benefits

and the basis upon which amount of benefit is calculated emerged as important reasons for claimants' initially negative attitudes. When British interviewees were asked what counselling they had received from UBO staff and which informational pamphlets they had consulted to determine specific entitlements in individual cases, 92 responded that staff were too busy or too casual to give straight answers, and that Government publications had seldom been used simply because they were presumed (by claimants) to be too difficult to understand. In spite of the presence of display racks containing pamphlets in UBO foyers, 68 interviewees professed ignorance that (DE/DHSS) informational pamphlets were available at all. Derogatory attitudes of British interviewees tended to lessen as they either recalled factors usually not taken into consideration when discussing the system, such as the fact that pamphlets were written in very understandable language, or that long-standing opinions were, in fact, erroneous as to how benefit payments were calculated.

In the United States, 71 of 113 claimants interviewed expressed derogatory attitudes toward the ensemble of society's conventional requirements to which all citizens are bound - law and order, taxation, administrative procedures with respect to licensing of vehicles and businesses, as well as those concerned with unemployment and other benefits - as examples of how officialdom at all levels takes advantage of the workingman. When pressed for specific instances of what they considered to be unfair advantage, claimants responded only in general, sweeping terms which, to this researcher, suggested a litany long-rehearsed and often-repeated. The similarity of these responses in a number of geographical locations from Hawaii to Illinois (Hattiesburg: 4; Denver: 13; Honolulu: 26; Sacramento: 11; Elgin: 17) led to this researcher's qualitative-based conclusion that neighbourhood conditioning

constitutes a thread of uniformity in these attitudes. American claimants appeared more convinced that they were somehow victimised by the system, in this case unemployment benefits, than was perceived in the attitudes of their British counterparts.

Second Approach: Quantitative

Quantitative comparison of attitudes between British and American employers and between British and American claimants was accomplished through statistical analysis and interpretation of data obtained from sampling. A survey instrument in the form of a questionnaire was designed to obtain reactions to specific statements from representatives of each of the four elements of population concerned: British employers, American employers, British claimants, and American claimants.

Determination of Questionnaire Content

Design of the questionnaires for use in gathering employer and claimant attitude data was an element of the initial USA-based research effort during Phase 1. Certain modifications were made later during the UK-based research in favour of British colloquial usage. Three imperatives were adopted to govern the design effort: first, identification of those subject areas of unemployment benefits of greatest continuing concern to both employers and claimants; second, selection of specific statements which would elicit attitudes about these areas; and third, an instrument confined to a single page in length in order to promote frankness and preserve spontaneity.

Employer Questionnaire

First priority of development was accorded to an employer questionnaire for reasons of expediency. Employers' views were sought informally during meetings of various clubs and organisations to which many employers belong, notably, Chambers of Commerce, the Hawaii Employers Council, and various clubs of Rotary International. These structured organisations provided an easier and more efficient means to determine key points of attitudinal interest and controversy than was deemed possible for claimants given the unstructured nature of claimant populations.

During the period July through December 1976, the following developments issued from these employer contacts:

- a. Four subject areas were identified as those of greatest interest and most frequent mention: source of unemployment funds; integrity of claimants; eligibility standards and amount of benefits; and external pressures affecting the system.
- b. From an initial list of 34 statements considered, covering the four subject areas, 13 were retained for reproduction on a single-page instrument which could be accomplished by a respondent easily within several minutes.

UK and USA employer questionnaires containing these 13 statements are at Appendices 6-A and 6-C. Certain of these statements sample attitudes within each subject area. Statement 1 is not included in these areas; it is in the nature of a basic proposition to determine whether a respondent supports the premise that unemployment insurance is needed

in our society. Statements 2 through 5 apply to source of unemployment funds; statements 5 through 9 to claimant integrity; statements 9 through 11 to eligibility standards and amount of benefits; with statements 12 and 13 applying to external pressures.

Claimant Questionnaire

Development of a claimant questionnaire was accomplished with greater ease and in much less time than that for the employer through use of experience factors gained from the previous efforts. Claimants were interviewed outside the premises of the Hawaii State Employment Agency and the Unemployment Benefit Office, and asked for their principal concerns with respect to unemployment benefits. The substance of their replies agreed with the subject areas already identified for employers, with the exception of two points. Specifically, whereas employers expressed concern for the effect of union influence to favour claimants' right to collect benefits even when believed guilty of cheating the system and in the incidence of claimant abuses being hidden from public knowledge, claimants evinced no interest or knowledge in either of them. Consequently, the final claimant questionnaire excludes these two points, but includes all others contained in the employer instrument. See Appendices 6-B and 6-D.

Sampling

All sampling was on a random basis, conducted on a no-name, no-enterprise identification principle, without use of mail channels. For British and

American employers, questionnaires were administered through Rotary Club International meetings in various locations in the United Kingdom and the United States. Rotary auspices offered two important advantages. First it was organised and governed worldwide under uniform by-laws, thus operates similarly in both countries. Second, randomness of sample in minimum time was assured because membership eligibility rules require that each member of each chapter represent a different business or professional classification. An average Rotary Club has a membership of 45, thus 45 different businesses are represented. Spontaneity of reaction was achieved by distribution, completion and collection of questionnaires during the course of a single Rotary meeting in each location.

For British and American claimants, questionnaires were administered by this researcher just outside the premises of unemployment benefit offices while claimants were on their way to or from these offices. As with employers, claimants completed these instruments on the spot. Both employers and claimants were generally cooperative and interested in the project once they became convinced that their personal identity or, for employers, that of their enterprise was not at risk.

Consistent with the terms of the research proposal, British sampling was conducted mainly in the County of Avon; American sampling mainly in the state of Hawaii. In both bases, additional locales were sampled, but not extensively. The sampling of American employers and claimants was conducted during Phase 1 of the research (July 1976-May 1977); sampling of British counterparts took place during Phase 2 (June-December 1977). Some minor differences in wording of questionnaire statements are present between the British and American versions for claimants; this done on advice of the Bristol Chamber of Commerce to assure ready understanding by British respondents.

Statistical recipes employed are from the Statistical Package for the Social Sciences (SPSS) and its Conversational Statistical System (SCSS). Appendix 6-E explains statistical methodology used in comparing questionnaire results between UK and American claimants and between UK and American employers.

Responses to questionnaire statements reflect the attitudes of active employer or claimant participants in the British and American unemployment insurance systems. Based upon personal experiences, these responses constitute the most credible sources of data upon which to base comparisons. It became clear during interviews with claimants that they were willing to express themselves frankly on subjects which might involve a degree of self-incrimination, such as fraud, only when no written record - questionnaire - was used. Therefore, the qualitative section probed the more personal areas with respect to claimants, such as attitudes toward intentional unemployment and fraud.

This quantitative section and its questionnaires focus on elements of the system to which no suggestion of self-incrimination is attached. It is important to admit that, while statements such as those which appear in the questionnaires can be designed to evoke attitudes measurable by statistical methods, the yield of such efforts remains inexact and susceptible to varying interpretations in terms of why the attitudes exist and how they developed. This is to say that faultless mathematical techniques when applied to the measurement of opinion cannot be wholly depended upon to produce equally reliable interpretation. With these disclaimers in mind, the following discussions interpret the statistical analysis of questionnaire responses, avoiding statistical jargon as much as possible in order to portray results in plain terms. At Appendix 6-F is a discussion of "no finding" with illustrative Tables 6.7 (employers) and 6.8 (claimants).

UK-USA Employer Questionnaires

A columnar summary of UK and USA (Hawaii) employer questionnaire responses is at Table 6.3. This summary reflects the percentage of each employer population's responses as they are distributed among the five possible choices on the questionnaire: strongly agree (SA), agree (A), no strong feelings (NSF), disagree (D), strongly disagree (SD) (see employer questionnaires at Appendices 6-A and 6-C).

Taking into account the managerial role of employers, UK and USA employers concur in their responses to statements 2, 3, 4, 5, 9, 10, 11 and 13, with only minor variations in the degree of agreement or disagreement. The remaining five statements (1, 6, 7, 8 and 12) yield results which are substantially different in some way; these are discussed in the following paragraphs. For purposes of grosso mode simplification, Table 6.4 shows responses grouped, with "strongly agree" combined with "agree" in total percentage, and "strongly disagree" combined with "disagree". In a manner of speaking, Table 6.4 represents a trade-off in that the degree of each respondent's reaction is subordinated in order to emphasis the combined reaction for or against the statement's proposition.

Statement 1 - To this statement ("an unemployment benefit system is needed in our society"), over 98% of British employers agree, while 52% of American employers hold the opposite view and disagree. Yet, the USA attitude is inconclusive; 32% agree (Table 6.3), 7% have no feelings either way, and a bare majority (52%) disagree. Given the unilateral funding burden of American employers, their majority disagreement with the premise - slight though it is - does not appear out of line. At the same time, one-third of these American employers agree - though not strongly - that society needs this system. The 50%-30% distribution variance among American employers on this issue of "need" may be traceable to the resistance toward acceptance of welfare-state philosophy.

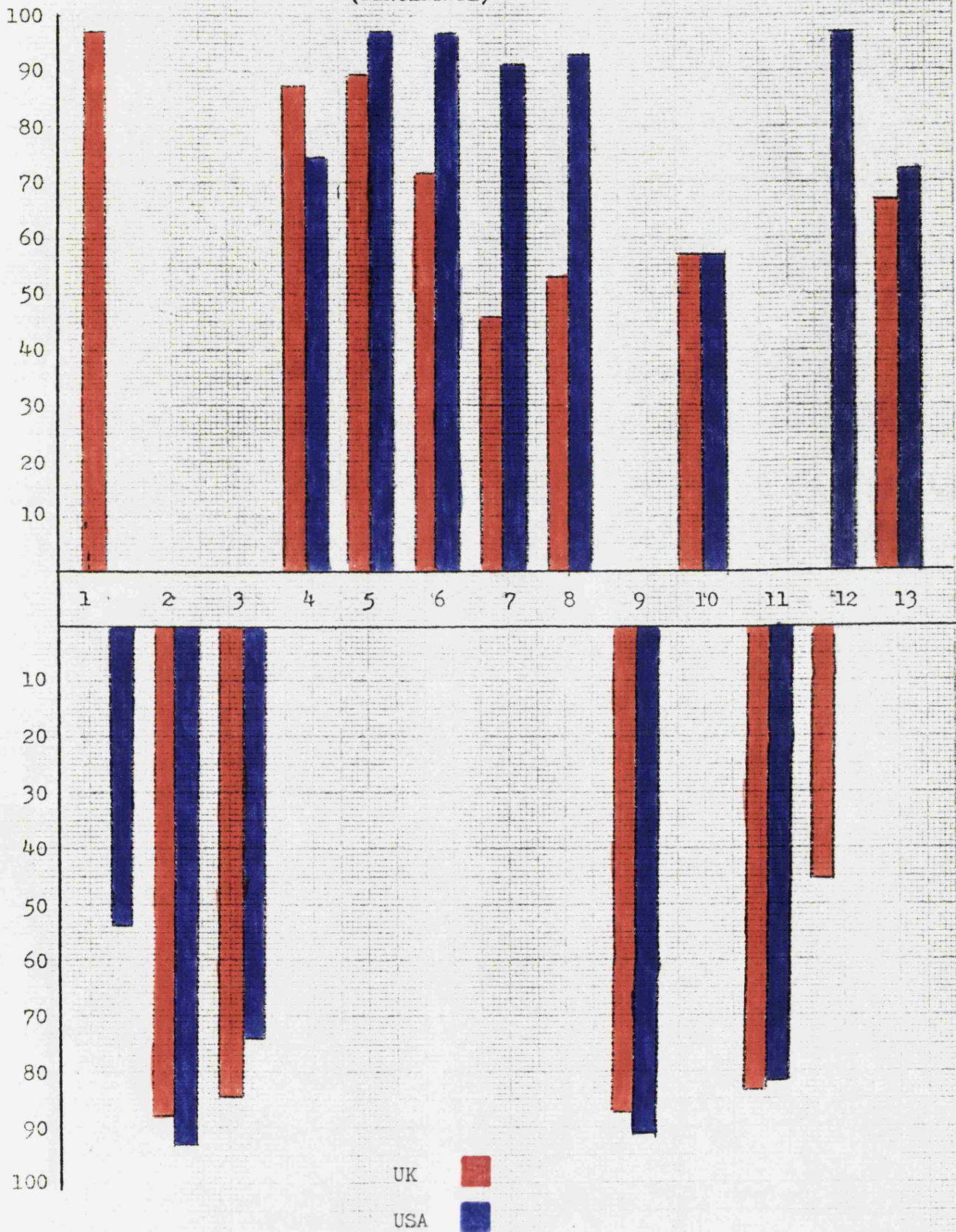
TABLE 6.3

SUMMARY: UK & USA (Hawaii) EMPLOYER RESPONSES TO QUESTIONNAIRE (FIGURES INDICATE PERCENTAGE)

	SA		A		NSF		D		SD	
	UK	USA	UK	USA	UK	USA	UK	USA	UK	USA
1. An unemployment benefit system is needed in our society	43.4	7.2	54.7	31.9	0	7.2	0	36.2	1.9	17.5
2. The fairest source for contributions: <u>employers only</u>	1.9	0	1.9	0	3.8	3.1	37.7	46.4	52.8	50.5
3. The fairest source for contributions: <u>employees only</u>	1.9	2.8	5.7	6.2	5.7	13.1	47.2	42.6	37.7	35.3
4. The fairest source for contributions: <u>employers and employees</u>	30.2	25.1	56.6	49.8	9.4	12.4	1.9	12.7	1.9	0
5. Contributions toward benefits only for workers unemployed through no fault of their own, not to quitters or those sacked for misconduct.	54.7	52.5	43.4	45.4	0	2.1	0	0	1.9	0
6. The longer an unemployed person draws benefits, the less urgency he/she feels to find work	18.9	58.7	52.8	39.2	17.0	2.1	7.5	0	3.8	0
7. Over 25% of claimants violate the law in some way to draw benefits	9.4	51.5	34.0	41.2	28.3	7.3	17.0	0	7.5	0
8. Unemployment benefits registers are heavy with layabouts and their like	17.0	50.5	35.8	44.3	9.4	5.2	28.3	0	5.7	0
9. Eligibility rules should be relaxed to make drawing of benefits easier	1.9	0	7.5	4.6	3.8	4.2	39.6	41.1	47.2	50.0
10. The amount of unemployment benefits is adequate	11.3	10.7	45.3	46.8	28.3	32.4	9.4	8.3	3.8	1.8
11. The amount of benefits should equal take-home pay	1.9	1.7	11.3	12.0	3.8	2.6	49.1	51.2	34.0	32.5
12. Unions pressure employers to support cheats	11.3	60.8	22.6	36.0	17.0	3.1	32.1	0	13.2	0
13. Much abuse is hidden somehow from the public	28.3	50.5	39.6	31.9	17.0	13.4	15.1	1.1	0	3.1

TABLE 6.4

COMPARISON: UK AND USA EMPLOYER RESPONSES TO
QUESTIONNAIRE
SA AND A COMBINED; SD AND D COMBINED
(PERCENTAGE)



Statement 12 - This statement ("unions pressure employers to support those who choose not to work") was added to compare attitudes toward trade union demands, based on a case in Hawaii (1976), that management be denied the right to protest payment of unemployment benefits to former employees who quit without good cause.

In this instance, it is British employer responses which indicate inconclusiveness of attitude, with disagreement accounting for 45%, while 34% agree and 17% have no strong feelings. British reaction may indicate either greater willingness to subscribe restrictions imposed by trade unions on the right to manage, or a greater degree of resignation to it. By extension, the former (willingness) option suggests support of the right of trade unions to use pressure on employers in order that all those unemployed, no matter the reason, receive benefits even though their unemployment is intentional. The second option (resignation) suggests that since it is unlikely that trade union influence can be reduced, tolerance of it as an acknowledgement of a fact of life is the only viable solution to that particular managerial headache. Of the two, this researcher perceived the second, "resignation", as the more realistic within the pattern of the British commercial scene.

American employers are virtually unanimous in agreeing with the statement (96.8%), with only 3% having no strong feelings. Of note also is that 60% of American employers responded "strongly agree" as an indication of how vehement their indictment is of the general trade union attitude toward persons who contrive to remain claimants by intent.

Statement 6 - While both UK and American employers agree with this statement ("the longer a person draws benefit, the less urgency is felt to find work"), their respective percentages differ by some 20 points. Accounting for 17 of these (20 percentage points) are British employer responses of NSF. American

employers indicated NSF in just over 2% of their responses. One postulates that the eight-fold higher British NSF response is due to a greater tolerance on the part of UK employers that unemployed workers draw benefits for a longer portion of their benefit year, while American employers appear less tolerant. Alternatively, the reason may be simply a straightforward admission by British respondents that they do not know whether the statement is true, thus took no definitive stand on the premise. This statement was included on the questionnaire in order to evaluate employer's views on linkage between the length of time benefits are drawn and the length of time the claimant remains unemployed.

Statement 7 - This statement seeks to determine which population is the more convinced that claimants cheat in some way to draw benefits. American employers agree overwhelmingly that "over 25% of claimants violate the law to draw benefits", 7.3% indicate NSF, while none of them disagree. British employers follow a line of response similar to that of statement 6; 28% indicate NSF; there is no clear-cut majority opting for either agree or disagree. Responses to this statement suggest that either the American employers are over-quick to condemn, or that they possess convincing evidence that significant numbers of claimants cheat the system. Responses of British employers, on the other hand, indicate either greater faith in the honesty of claimants or greater readiness to admit lack of knowledge on which to base either agreement or disagreement.

Statement 8 - This statement is the third in the group which focuses on claimant integrity. Its purpose is to determine employers' attitudes on whether or not unemployment benefit registers are heavy with those who seek to cheat the system in order to draw benefits. American employers responded in percentages close to the distributions for statement 7, 95% agreeing with the statement. A bare majority (52%) of British employers agreed, while 38% disagreed and about 10% indicated no strong feelings either way. The British distribution

favours agreement slightly more than it did in the case of statement 7, but the differences of opinion among them leads to an inconclusive finding.

Responses to this group of three statements, all related to employers' attitudes on claimant integrity, indicates that British employers have slightly greater faith in the honesty of claimants than do their American counterparts. An averaging of combined percentages for statements 6, 7 and 8 shows that a bare majority of British employers believe that more than a quarter of all claimants seek to draw benefit as long as possible by contriving to remain unemployed; American employers indicate overwhelming conviction (95.1%) that this is true. Two postulations are considered in this connection. First, these opposing attitudes may be founded on British employers having more faith in the effectiveness of eligibility and fraud controls of their system than American employers have in their individual state systems. Or, it may indicate less disgruntlement with the whole philosophy of unemployment benefits on the part of British employers, and a greater degree of aversion to that philosophy by American employers. The latter possibility appear corroborated by the response distribution for statement 1.

The remaining groups of statements portrayed in Tables 6.3 and 6.4, sources of funds (2 through 5) and eligibility/amount (9 through 11) reveal congruent UK and American employer attitudes. Within the group on sources of funds, the employers of both nations (90-95%) disagreed with statement 2 (fairest source of contributions is employers only) and 75-86% with statement 3 (fairest source of contributions is employees only). Both employer populations agree (75-88%) with statement 4 (fairest source of contributions is from both employers

and employees), and 90-98% with statement 5 (contributions should go only to persons unemployed through no fault of their own, not to quitters or those sacked for misconduct). Within the group which focuses on eligibility and amount (9 through 11), employers of both nations disagreed overwhelmingly (88-92%) with statement 9 (eligibility should be relaxed to ease drawing of benefits) and 82-84% with statement 11 (benefits should equal take-home pay).

In the case of statement 10 (the amount of benefits is adequate), a majority of both sets of employers agree (56-58%); they disagree to about the same degree (10-13%), and almost one-third straddle the NSF fence (28-32%). The "no strong feelings" congruence represents nearly one-third of each population. This implies doubt as to whether current benefit amounts are considered adequate by employers, and since it does reflect their doubt, the inference is that they believe the amount insufficient rather than sufficient. For both sets of employers such a sizeable proportion of employers expressing doubt on this matter suggests both an awareness and sympathy for the money problems of those unemployed through no fault of their own who are seeking to become re-employed as soon as possible.

At Appendix 6-E is a detailed description of the statistical formulae used to determine the greater or lesser degree of congruence between UK and American employers for each of the questionnaire statements. The null and alternative hypothesis of each one is stated as well as the finding obtained from statistical analysis. A commentary on "no finding" is at Appendix 6-F.

UK-USA Claimant Questionnaires

Table 6.5 is a columnar summary of claimant responses to questionnaires showing distributions among the five possible choices. Table 6.6 shows claimant responses grouped to emphasise "agree" or "disagree" reactions to each statement, as was done in the preceding section.

Similar to employer questionnaires, statements are arranged in groups according to subject: source of funds (2 through 5), claimant integrity (6 through 8), eligibility and amount (9 through 11). Note that claimant questionnaires omit counterparts to employer statements 12 and 13. Preliminary testing indicated that claimants neither had knowledge of nor were interested in union pressures on employers or whether abuses of the unemployment benefit system were hidden from the public. Statement 1 is included for the same reason as that stated in the preceding section as a basic proposition to determine whether a respondent supports the premise that unemployment insurance is needed in our society.

UK and American claimants' responses to questionnaires reflect congruent attitudes toward each statement, varying only in the degree with which they express agreement or disagreement. Even so, variation in the degree of positive or negative reaction is notable only in statements 8, 10 and 11. These three statements are discussed initially, followed by commentary on the remaining statements.

Statement 8. The negative claimant reaction to this statement was predictable ("over 25% of claimants violate the law in some way to draw benefits"), yet only 54% of American claimants disagree compared to 88% of British claimants. Of interest is that 22% of American

TABLE 6.5

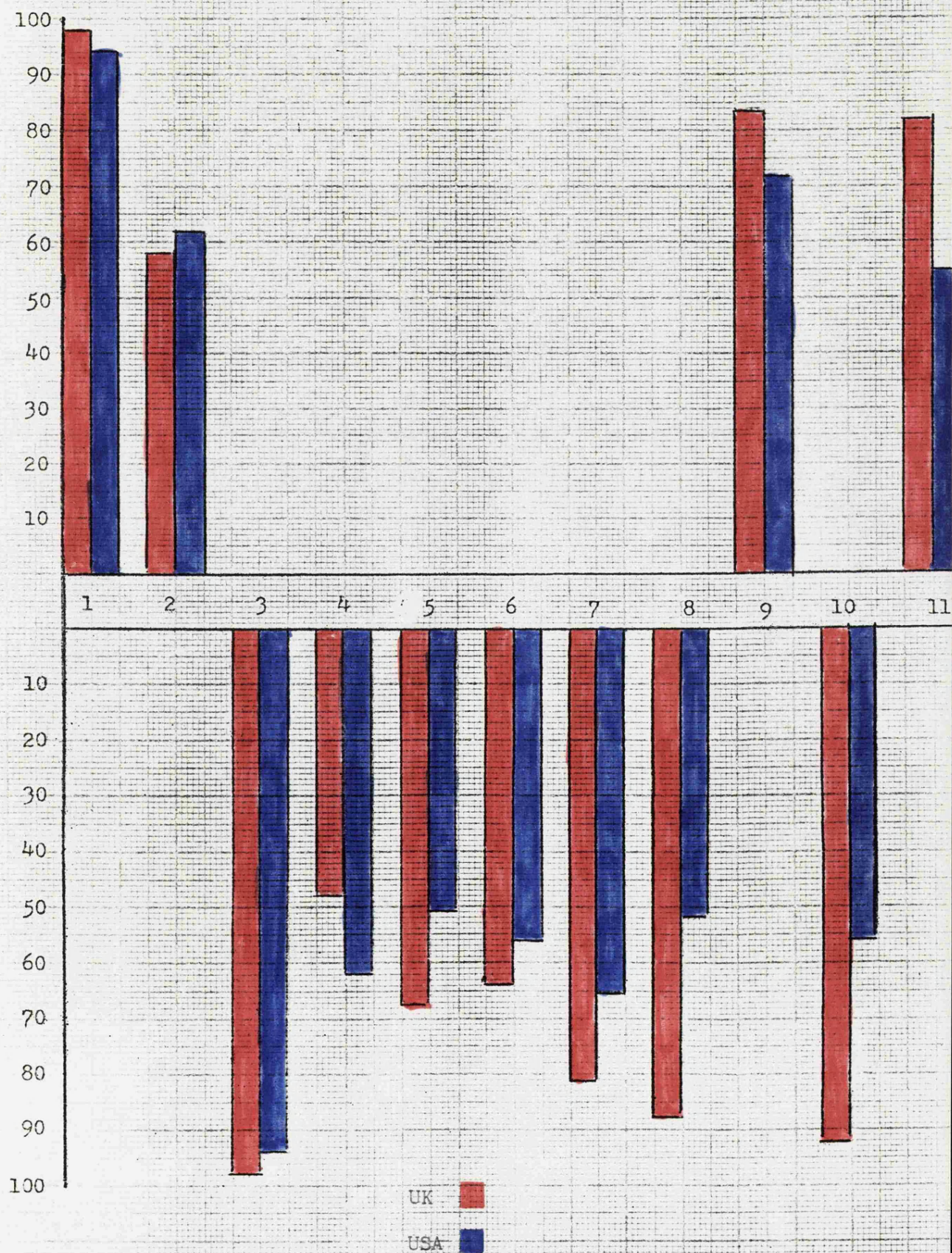
SUMMARY: UK AND USA (Hawaii) CLAIMANT RESPONSES TO QUESTIONNAIRE (FIGURES INDICATE PERCENTAGE)

	SA		A		NSF		D		SD	
	UK	USA	UK	USA	UK	USA	UK	USA	UK	USA
1. An unemployment benefit system is needed in our society	67.4	35.4	31.4	58.5	1.2	3.6	0	1.3	0	1.2
2. The fairest source for contributions: <u>employers only</u>	15.1	25.6	43.0	36.6	2.3	11.0	33.7	1.4	5.8	2.3
3. The fairest source for contributions: <u>employees only</u>	0	0	0	3.6	1.2	3.6	54.7	57.3	44.2	35.5
4. The fairest source for contributions: <u>employers and employees</u>	3.5	28.0	44.2	9.8	3.5	0	36.0	37.9	12.8	24.3
5. Contributions toward benefits only for workers unemployed through no fault of their own, not to quitters or those sacked for misconduct	8.1	13.4	23.3	37.8	1.2	12.2	48.8	22.8	18.6	13.8
6. Unemployment benefits should be paid to any unemployed worker, whatever the reason for unemployment	23.3	22.0	40.7	35.4	5.8	7.3	25.6	31.7	4.7	3.6
7. The longer an unemployed person draws benefits, the less urgency he/she feels to find work	1.2	11.0	10.5	16.0	7.0	7.2	50.0	37.8	31.4	28.0
8. Over 25% of claimants violate the law in some way to draw benefits	0	9.8	2.3	14.4	9.3	22.0	58.1	40.2	30.2	13.4
9. Eligibility rules should be relaxed to make drawing of benefits easier	31.4	22.9	52.3	47.6	14.0	13.9	2.3	12.0	0	3.6
10. The amount of benefits is adequate	1.2	3.9	4.7	24.1	2.3	16.0	54.7	40.0	37.2	16.0
11. The amount of benefits paid should match take-home pay	33.7	18.3	47.7	36.6	7.0	4.8	10.5	33.0	1.2	7.3

TABLE 6.6

COMPARISON: UK AND USA CLAIMANT RESPONSES TO
QUESTIONNAIRESSA AND A COMBINED
SD AND D COMBINED

PERCENTAGE



claimants express no strong feelings, compared to the 9% of their British counterparts. This leaves one-quarter of American agreeing with the statement, whereas only 2% of British claimants agree. Clearly British claimants present a united front affirming the honesty of their group, while American claimants are at best luke-warm in that regard. One possible conclusion is that the British element feels a strong obligation to maintain unity within its ranks and to define the integrity of the whole group. In such a context, American claimants appear far less cohesive, witness the 22% who expressed no strong feelings either way. Although this inconclusive expression of American claimant attitude might be interpreted as showing an inclination toward forthrightness, it is equally reasonable to view it as an indication of dis-interest in whether or not claimants violate the law in order to draw benefits.

Statement 10. This statement ("the amount of benefits is adequate") is as predictable in terms of negative claimant response as it was in the previous section with respect to affirmative employer reaction. The definition of what constitutes "adequate" benefits is so variable that only the randomness of sample can be considered justification for attaching any significance to it at all. For a single person with modest material wants, "adequate" signifies much less in terms of cash requirements than in the case of a person having four or five dependents. In spite of the variable interpretation to which "adequate" is susceptible, this statement was included in the claimant questionnaire to probe the relationship between authorised amount of benefits and perceived need. British claimants disagreed (88%) with this statement, while only 56% of American claimants disagreed. These two percentages are virtually the same as those recorded for statement 8. Once again American claimants present an inconclusive attitude, in that 28%

agree that currently benefits are adequate and 16% indicate no strong feelings. The slightly greater than one-quarter of American claimants who appear satisfied with their benefits is in sharp contrast to the 6% of British claimants who are content with the amount they receive. This suggests at least three explanations.

First, that British claimants are unified (88%) in disagreeing that benefits are adequate. This may be in the nature of a (claimant) group norm. For that group to admit adequacy may be perceived as a form of disloyalty to the future best interests of the group. Under this postulation, American claimants exhibit no such group loyalty, thus express individual feelings toward the statement. It seems likely that the apparent lack of group loyalty on the part of American claimants derives from the fragmented nature of the American benefit system, under which each state exercises virtual autonomy in the operation of the system within state borders.

Second, a greater number of American claimants indicate satisfaction with the amount of benefits they receive, either because their needs are less, or because they are more content with the standard of living which such benefits support. Attaching to this same postulation is the possibility that over one-quarter of American claimants responded to the statement in the way they perceived they ought to respond, thus a conditioned rather than an independent opinion.

Third, the possibility must be admitted that 81% of British claimants are quite correct in indicating that their benefits are not adequate in terms of the buying power demanded by current prices. The corresponding obverse of this possibility is that American claimants are better off in real terms. This is a difficult issue to compare,

since it involves determination of a set of wants-needs-costs indices common to both populations. While that issue lies beyond the scope of this study, it offers interesting potential for a specific research effort.

Statement 11. This statement goes one step further than the preceding one in order to determine whether claimants believe they should receive as much in benefits while out of work as they normally earn while employed. This statement seeks to measure, in the broadest context, the extent of the welfare-state acceptance on the part of claimants in terms of how much better off an employed person deserves to be versus an unemployed person.

Predictably, a majority of both populations agreed that "the amount of benefit paid should match take-home pay". Again, however, there is a marked disparity between the degree of agreement of the British claimants (81%), with only 13% disagreeing, and the attitude of American claimants. The latter population indicates only a bare majority agreement (55%) with the statement, while almost half (40%) disagree. There is a consistency of attitude reflected in these percentages for both populations with those they expressed for statement 10, although the affirmative-negative application between these two statements much be reversed in order to recognise that consistency.

Responses to the remaining statements (1 through 7, and 9) were both predictable and closely matched as to degree of agreement or disagreement between UK and American claimants. The predictability of responses is a by-product of the interviews conducted to obtain qualitative data, discussed in the preceding section of this chapter. A commonality

includes general dissatisfaction with the various administrative requirements which claimants must accomplish to keep their claims in good standing, unwillingness to contribute to the benefit funds when in work, and the desire for increase in the amount of benefits.

Predictions made as to probable claimant responses to questionnaire statements were confirmed by the actual responses, only the degree was surprising in some cases, as already discussed for statements 8, 10 and 11. An average empathy quotient seems quite sufficient to permit accurate predictions of what a claimant's response would be to statement 1, for example. One cannot conceive that any claimant would express a negative opinion as to whether there is a need for unemployment insurance in our society. Likewise predictable, and corroborated by actual responses, were positive reactions to statements 2 and 9, which would have employers-only contribute to benefit funds and eligibility rules relaxed, respectively.

Claimants reacted negatively to statements 3 and 4, both of which include employees as contributors to benefit funds. The negative reaction was much less pronounced for number 4, especially by British claimants, probably because it was seen as a fair arrangement and because it is the current arrangement in Britain to which they are accustomed.

Statements 5 and 6 evoked negative responses from claimant populations. Both statements proposed essentially that benefits not be paid to claimants who quit or were sacked. For both statements, however, there was a substantial countervail - on the order of one-third the total number of respondents - expressing satisfaction with existing controls on claimant qualification requirements. It is clear that it

claimant responses are notable principally for their conformance to what one would expect. Consequently, only the degree of agreement or disagreement has been discussed.

Although beyond the approved scope of this study, a comparison of employer versus claimant attitudes was programmed and tested by computer. These test results were unremunerative, in that they produced nothing significantly different from what would have been otherwise concluded.

At Appendix 6-E is a detailed description of representative statistical formulae used to determine the greater or lesser degree of congruence between UK and American claimants and employers for each of the questionnaire statements. The null and alternative hypothesis of each is stated as well as the finding obtained from statistical analysis. A commentary on "no finding" is at Appendix 6-F.

TABLE 6.7

SUMMARY: COMPARISON OF UK WITH USA EMPLOYER ATTITUDES

(Illustrating statements 1-8)

Statement Number (1)	Comp* Code (2)	Statement (3)	Alternative Hypothesis (4)	Result (5)	Alt Hyp** Accepted (6)
UE1 vs HE1	1	An unemployment benefit system is needed in our society	M _{1UE} M _{1HE}	-1.5626 .263222	Yes
UE2 vs HE2	1	The fairest source from which to obtain contributions to the unemployment benefit fund is from <u>employers</u> only	M _{2UE} M _{2HE}	-.0702 .211378	No
UE3 vs HE3	1	The fairest source from which to obtain contributions to the unemployment benefit fund is from <u>employees</u> only	M _{3UE} M _{3HE}	2.0406 .295306	No
UE4 vs HE4	1	The fairest source from which to obtain contributions to the unemployment benefit fund is from both <u>employers and employees</u>	M _{4UE} M _{4HE}	-1.7006 -.289555	Yes
UE5 vs HE5	2	Contributions for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are sacked for misconduct	M _{5UE} M _{6HE}	.0142 .184452	No
UE6 vs HE6	1	The longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work	M _{7UE} M _{9UE}	.8017 .242492	Yes
UE7 vs HE7	1	I feel that over 25% of claimants violate either the letter or the spirit of the law in some way to qualify for unemployment benefits	M _{8UE} M _{11HE}	1.2376 .273094	Yes
UE8 vs HE8	2	The unemployment benefits registers are heavy with layabouts, schemers, cheaters and quitters	M _{9UE} M _{10HE}	1.119 .305883	Yes

* Comparability

** Alternative Hypothesis

TABLE 6.8

SUMMARY: COMPARISON OF UK WITH USA CLAIMANT ATTITUDES

Statement Number (1)	Comp* Code (2)	Statement (3)	Alternative Hypothesis (4)	Result (5)	Alt Hyp** Accepted (6)
UC1 vs HC1	1	An unemployment benefit system is needed in our society	M _{1UC} M _{1HC}	-.3667 -.143	Yes
UC2 vs HC2	1	The fairest source from which to obtain contributions to unemployment benefit fund is from employers only	M _{2UC} M _{2HC}	.3259 .310	Yes
UC3 vs HC3	1	The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only	M _{3UC} M _{3HC}	.183101 -.160	No
UC4 vs HC4	1	The fairest source from which to obtain contributions to the unemployment benefit fund is from both employers and employees	M _{4UC} M _{4HC}	-.4752 .30467	Yes
UC5 vs HC5	2	Contributions for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are sacked for misconduct	M _{5UC} M _{5HC}	.5214 .334766	Yes
UC6 vs HC6	1	Unemployment benefits should be paid to any worker who is unemployed, no matter the reason for unemployment	M _{6UC} M _{6HC}	-.00786 -.320546	No
UC7 vs HC7	1	The longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work	M _{7UC} M _{7HC}	.325 .285714	Yes
UC8 vs HC8	1	I feel that over 25% of claimants violate either the letter or the spirit of the law in some way to qualify for unemployment benefits	M _{8UC} M _{8HC}	.842 .251451	Yes
UC9 vs HC9	2	The present system's rules and regulations for eligibility should be relaxed so that it is easier to draw benefits	M _{10UC} M _{10HC}	-.412 -.237300	Yes
UC10 vs HC10	2	The amount of unemployment benefits is adequate	M _{11UC} M _{11HC}	.7349 .284450	Yes
UC11 vs HC11	2	The amount of benefits paid should match take-home pay	M _{12UC} M _{12HC}	-.673 -.285988	Yes

*Comparability

**Alternative Hypothesis

Appendix 6-A

TO UNITED KINGDOM EMPLOYERS: Your courtesy in completing this 2-minute questionnaire will assist me materially in the development of an academic research document. PLEASE DO NOT IDENTIFY YOURSELF OR YOUR FIRM IN ANY WAY. Many thanks. Dean E Hutter.

Please circle just one response among each of the following expressions of your feelings toward the statements below: SA: Strongly agree; A: Agree; NSF: No strong feelings; D: Disagree; SD: Strong disagree.

1. An unemployment benefit system is needed in our society SA A NSF D SD 1.
2. The fairest source from which to obtain contributions to the unemployment benefit fund is from employers only. SA A NSF D SD 2.
3. The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. SA A NSF D SD 3.
4. The fairest source from which to obtain contributions to the unemployment benefit fund is from both employers and employees. SA A NSF D SD 4.
5. Contributions for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are sacked for misconduct. SA A NSF D SD 5.
6. The longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work. SA A NSF D SD 6.
7. I feel that over 25% of claimants violate either the letter or spirit of the law in some way in order to qualify for unemployment benefits. SA A NSF D SD 7.
8. The unemployment benefits registers are heavy with layabouts, schemers, cheaters and quitters. SA A NSF D SD 8.
9. The present system's rules and regulations for eligibility should be relaxed so that it is easier to draw benefits. SA A NSF D SD 9.
10. The amount of unemployment benefits (pounds/pence) is adequate. SA A NSF D SD 10.
11. The amount of benefits paid should match take-home pay. SA A NSF D SD 11.
12. Unions bring pressure on employers to help support those who choose not to work. SA A NSF D SD 12.
13. Much abuse is hidden somehow from public view. SA A NSF D SD 13.

Appendix 6-B

TO UNITED KINGDOM CLAIMANTS FOR UNEMPLOYMENT BENEFITS: Your courtesy in completing this 2-minute questionnaire will assist me materially in the development of an academic research document. PLEASE DO NOT PUT YOUR NAME ON THIS OR IDENTIFY YOURSELF IN ANY WAY. Many thanks.
Dean E Hutter.

For each of the statements below, please circle the one which best expresses your feelings, as follows: SA: Strongly agree, A: Agree, NSF: No significant feelings, D: Disagree, SD: Strong disagree.

1. An unemployment benefit system is needed in our society. SA A NSF D SD 1.
2. The fairest source from which to obtain contributions to the unemployment benefit fund is from employers only. SA A NSF D SD 2.
3. The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. SA A NSF D SD 3.
4. The fairest source from which to obtain contributions to the unemployment benefit fund is from both employers and employees. SA A NSF D SD 4.
5. Contributions for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are sacked for misconduct. SA A NSF D SD 5.
6. Unemployment benefits should be paid to any worker who is unemployed, no matter the reason for unemployment. SA A NSF D SD 6.
7. The longer an unemployed person is allowed to draw benefits, the less urgency she/he feels to get out and find work. SA A NSF D SD 7.
8. I feel that over 25% of claimants violate either the letter or the spirit of the law in some way to qualify for unemployment benefits. SA A NSF D SD 8.
9. The present system's rules and regulations for eligibility should be relaxed so that it is easier to draw benefits. SA A NSF D SD 9.
10. The amount of unemployment benefits (pounds/pence) is adequate. SA A NSF D SD 10.
11. The amount of benefit paid should match take-home pay. SA A NSF D SD 11.

Appendix 6-C

TO HAWAII EMPLOYERS: Your courtesy in completing this 2-minute questionnaire will assist me materially in the development of an academic research document. PLEASE DO NOT IDENTIFY YOURSELF OR YOUR FIRM IN ANY WAY. Many thanks. Dean E Hutter.

Please circle just one response among each of the following expressions of your feelings toward the statements below: SA: strongly agree, A: agree, NSF: no strong feelings, D: disagree, SD: strongly disagree.

1. An unemployment benefit system is needed in our society SA A NSF D SD 1.
2. The fairest source from which to obtain contributions to the unemployment benefit fund is from employers only. SA A NSF D SD 2.
3. The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. SA A NSF D SD 3.
4. The fairest source from which to obtain the unemployment benefit fund is from both employers and employees. SA A NSF D SD 4.
5. Contributions for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are sacked for misconduct. SA A NSF D SD 5.
6. The longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work. SA A NSF D SD 6.
7. I feel that over 25% of claimants violate either the letter or spirit of the law in some way in order to qualify for unemployment benefits. SA A NSF D SD 7.
8. The unemployment benefits registers are heavy with layabouts, schemers, cheaters and quitters. SA A NSF D SD 8.
9. The present system's rules and regulations for eligibility should be relaxed so that it is easier to draw benefits. SA A NSF D SD 9.
10. The amount of unemployment benefits (dollars/cents) is adequate. SA A NSF D SD 10.
11. The amount of benefit paid should match take-home pay. SA A NSF D SD 11.
12. Unions bring pressure on employers to help support those who choose not to work. SA A NSF D SD 12.
13. Much abuse is hidden somehow from public view. SA A NSF D SD 13.

TO HAWAII CLAIMANTS FOR UNEMPLOYMENT BENEFITS: Your courtesy in completing this 2-minute questionnaire will assist me materially in the development of an academic research document. PLEASE DO NOT PUT YOUR NAME ON THIS, OR IDENTIFY YOURSELF IN ANY WAY. Many thanks,
Dean E Hutter.

For each of the statements below, please circle the one response which best expresses your feelings, as follows: SA: strongly agree, A: agree, NSF: no strong feelings, D: disagree, SD: strongly disagree.

1. An unemployment insurance benefit system is needed in our society. SA A NSF D SD 1.
2. The fairest source from which to obtain contributions to the unemployment benefit fund is from employers only. SA A NSF D SD 2.
3. The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. SA A NSF D SD 3.
4. The fairest source from which to obtain contributions to the unemployment benefit fund is from both employers and employees. SA A NSF D SD 4.
5. Payroll taxes for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are fired for misconduct. SA A NSF D SD 5.
6. Unemployment benefits should be paid to any worker who is unemployed, no matter the reason he/she is unemployed. SA A NSF D SD 6.
7. The longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work. SA A NSF D SD 7.
8. I feel that over 25% of claimants violate either the letter or the spirit of the law in some way in order to qualify for unemployment benefits. SA A NSF D SD 8.
9. The present system's rules and regulations for eligibility to draw benefits should be made easier so that it is less trouble to qualify for benefits. SA A NSF D SD 9.
10. The amount of benefits paid to unemployed persone (number of dollars) is adequate. SA A NSF D SD 10.
11. The amount of benefits paid to a claimant should match his/her usual take-home pay. SA A NSF D SD 11.

Appendix 6-EStatistical Analysis of Comparisons Between UK and USA (Hawaii)Claimants and EmployersClaimants

The results for the confidence interval comparisons between UK and Hawaii claimants were calculated according to the following formula:

$$M_{iUY} - M_{jHZ} = (\bar{X}_{iUY} - \bar{X}_{jHZ}) \pm t \sqrt{\frac{s_{iUY}^2}{n_{iUY}} + \frac{s_{jHZ}^2}{n_{jHZ}}} \quad (1)$$

Where M is the population mean, i and j are question numbers, U stands for United Kingdom, H stands for Hawaii, Y and Z are either C for claimant or E for employer, \bar{X} is the sample average, t is the student's t statistic, S is the standard deviation, and n is the sample size.

UC1 versus HC1. This statement compares the perceptions of UK and Hawaii claimants as to the need for an unemployment benefit system in their respective societies. For this calculation, equation (1) becomes:

$$M_{1UC} - M_{1HC} = (\bar{X}_{1UC} - \bar{X}_{1HC}) \pm t .025 \sqrt{\frac{s_{1UC}^2}{n_{1UC}} + \frac{s_{1HC}^2}{n_{1HC}}} \quad (2)$$

This equation gives the 95% confidence interval for the mean difference which would occur if all claimants in both populations had answered question 1.

1.337 is the average response to question 1 of UK claimants, ie \bar{X}_{1UC} , and 1.7037 is the average response to HC1, ie \bar{X}_{1HC} . .5 is the

standard deviation of the responses to UC1, ie X_{1UC} , and .6009 is that for Hawaii claimants, S_{1HC} . The 86 and 81 are the non-missing sample sizes for UC1 and HC1, n_{1UC} and n_{1HC} , respectively.

The programme then inserts these numbers into equation (2) and performs the calculation. It then prints the final line: QUESTION* 1 VERSUS QUESTION 1 EQUALS $-.3667$ PLUS OR MINUS $.171636$ ". In other words, $-.3667$ is the difference between the two means and $.171636$ is the precision of an estimated mean difference at a confidence level of .05. This result is saying that the difference between the true mean of all UK claimants and the true mean of the whole population of Hawaii claimants is equal to $-.3667 \pm .171636$, with 95% confidence.

This result is reported as a confidence interval, but it may be viewed also as a two-tailed hypothesis test for the following hypotheses:

$$\begin{aligned} H_0: M_{1UC} - M_{1HC} &= 0. \\ H_1: M_{1UC} - M_{1HC} &\neq 0. \end{aligned} \quad (3)$$

Since zero is not included in the confidence interval calculated above, we can be confident that there truly is some difference between UK and Hawaii claimants in the strength of their belief that their respective societies need an unemployment benefit system. Of course, this conclusion requires all the standard assumptions that question 1 is valid in both cultures, the samples are truly random, and so on.

For most comparisons we have some preconceived notion about the

* In the context of this study, read "question" as synonymous with "statement".

direction of the difference. For question 1, one would hypothesise that UK claimants would believe more strongly than their Hawaii counterparts that society needs an unemployment benefit system. This, then, becomes the alternative hypothesis (H_1) in a one-tailed test of the following hypotheses:

$$\begin{aligned} H_0: M_{1UC} - M_{1HC} &\geq 0. \\ H_1: M_{1UC} - M_{1HC} &< 0. \end{aligned} \quad (4)$$

If the difference between sample means is less than the $\alpha = .05$ critical value, ie if

$$(\bar{X}_{1HC} - \bar{X}_{1UC}) < -t_{.05} \sqrt{\frac{S^2_{1UC}}{n_{1UC}} + \frac{S^2_{1HC}}{n_{1HC}}}, \quad (5)$$

then the null hypothesis (ie H_0) in equation (4) can be rejected and H_1 accepted. Since the right hand side of equation (5) is

$$\frac{-t_{.05}}{t_{.025}} \text{ or } \left(\frac{1.67}{2} = -.835 \right) \text{ times the precision in equation (2), we can}$$

readily calculate the results of a one-tailed hypothesis test from the computer output.

For items UC1 and HC1, the null hypothesis in equation (4) can be rejected because, from the computer output, equation (5) becomes:

$$-.3667 \overset{?}{\begin{cases} < .835 (.171635) \\ < .143 \end{cases}}$$

Hence, we can conclude at the .05 significance level that UK claimants feel more strongly than do Hawaii claimants that an unemployment benefit system is needed by their society.

Question 2 is an example of the reverse case, ie a right hand one tailed test. Here, the hypothesis is that Hawaii claimants feel more strongly than do UK claimants that employers-only are the

fairest source of unemployment funds, because this is the present situation in Hawaii, but not in the UK.

From the above, one would expect $M_{2UC} > M_{2HC}$ or $M_{2UC} - M_{2HC} > 0$;

hence the hypotheses to be tested are:

$$H_0: M_{2UC} - M_{2HC} \leq 0$$

$$H_1: M_{2UC} - M_{2HC} > 0 \quad (6)$$

If the difference between sample means is greater than the .05 critical value, ie if

$$(\bar{X}_{2UC} - \bar{X}_{2HC}) > t_{.05} \sqrt{\frac{S_{2UC}^2}{n_{2UC}} + \frac{S_{2HC}^2}{n_{2HC}}}, \quad (7)$$

then H_0 in equation (6) can be rejected and H_1 accepted.

Using the results from the computer output and equation (7),

$$\begin{aligned} & .3259 > .835 \text{ (.371657)} \\ & > .310 \end{aligned}$$

Hence H_0 is barely rejected by the right hand one tailed t-test at the .05 level; conclusion is that, in all likelihood, Hawaii claimants feel more strongly that the fairest source for unemployment funds is the employer than do UK claimants.

From the above orientation for questions 1 and 2 (claimants), the following paragraphs proceed through the remainder of questionnaire items for claimants. Then, using the results of similar t-test comparisons, each question of the employer (UK versus Hawaii) questionnaire is discussed. To facilitate readability, the null hypothesis is inserted only parenthetically in the alternative hypothesis for each question.

Question 3: The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. Hypothesis: Hawaii claimants disagree more strongly (null: do not disagree more strongly) than UK claimants with this statement. Mathematically states: $M_{3UC} - M_{3HC}$, or, $M_{3UC} - M_{3HC} < 0$. Hence, the hypotheses of equation (4) apply and equation (5) should be used to perform the one tailed test. Utilizing the computer results in equation (5),

$$.183101 \quad ? \quad -.835 (.191676)$$

$$\nless .160$$

where \nless means not less than; the null hypothesis cannot be rejected. In fact, the sample difference is in the opposite direction and, if the hypothesis had been the reverse difference, it would have been found significant. But this type of retrospective analysis is not statistically legitimate. Thus, the conclusion must be "no finding" for this question.

Question 4: The fairest source from which to obtain contributions to the unemployment fund is from both employers and employees. Hypothesis: UK claimants agree (null: do not agree) more strongly than Hawaii claimants that both employers and employees should contribute. Therefore, for UC4 versus HC4, the mathematical statement is: $M_{4UC} - M_{4HC}$. The hypotheses of equation (4) are applicable, and equation (5) is used to perform the one tailed test. Utilising the computer results in equation (5),

$$-.4752 \quad ? \quad -.835 (.364878)$$

$$\nless -.30467$$

From this result, the null hypothesis is rejected in favour of its alternative, to wit: at the .05 level, UK claimants agree more strongly than Hawaii claimants that both employers and employees

should contribute to the unemployment benefit fund.

Question 5: Payroll taxes for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are fired for misconduct. Hypothesis: UK claimants disagree (null: do not disagree) more strongly than Hawaii claimants that payroll taxes for unemployed workers should go only to those unemployed through no fault of their own. The hypotheses of equation (6) are applicable, and equation (7) is used to perform the one tailed test.

Using this equation and computer output results:

$$\begin{array}{l} \text{?} \\ .5214 > .835 \times .400917 \\ .5214 > .334766. \end{array}$$

From this result, the null hypothesis is rejected at the .05 level in favour of its alternative, to wit: UK claimants disagree more strongly than Hawaii claimants that payroll taxes for unemployment benefits should go only toward benefits for workers who are unemployed through no fault of their own, not to those who quit without good cause or are fired for misconduct.

Question 6: Unemployment benefits should be paid to any worker who is unemployed, no matter the reason he/she is unemployed. Hypothesis: UK claimants agree (null: do not agree) more strongly than Hawaii claimants that unemployment benefits should be paid to any worker who is unemployed, no matter the reason he/she is unemployed. The hypotheses of equation (4) are applicable, and equation (5) is used to perform the one tailed test. Inserting the computer results:

$$-.00786 \overset{?}{<} -.835 \times .383888$$

$$-.00786 \overset{?}{<} -.320546$$

From this result, the null hypothesis cannot be rejected; thus, there is no finding for question 6.

Question 7: The longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work.

Hypothesis: Hawaii claimants agree more strongly (null: less strongly) than UK claimants that the longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work. The hypotheses of equation (6) are applicable, and equation (7) is used to perform the one tailed test. Using this equation and the computer results:

$$.325 \overset{?}{>} .835 \times .342173$$

$$.325 > .285714$$

From this result, the null hypothesis is rejected at the .05 level in favour of its alternative, to wit: Hawaii claimants agree more strongly that the longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work than do UK claimants.

Question 8: I (each claimant respondent) feel that over 25% of claimants violate either the letter or the spirit of the law in some way in order to qualify for unemployment benefits. Hypothesis: UK claimants disagree more strongly than Hawaii claimants that over 25% of claimants violate either the letter or the spirit of the law in some way in order to qualify for unemployment benefits. Equations (6) and (7) are applicable. Using equation (7) and the computer results:

$$.842 \overset{?}{>} .835 \times .301139$$

$$.842 \overset{?}{>} .251451$$

Hence, at the .05 level the null hypothesis is rejected in favour of its alternative, to wit: UK claimants disagree more strongly than Hawaii claimants that over 25% of claimants violate either the letter or spirit of the law in some way in order to qualify for unemployment benefits.

Question 9: The present system's rules and regulations for eligibility to draw benefits should be made easier so that it is less trouble to qualify for benefits. Hypothesis: UK claimants agree more strongly (null: less strongly) than Hawaii claimants that the present system's rules and regulations should be made easier. The hypotheses of equation (4) and the inequality of equation (5) are applicable.

Employing this inequality and the computer results:

$$-.412 \overset{?}{<} -.835 \times .284192$$

$$-.412 \overset{?}{<} -.237300$$

Thus, the null hypothesis is rejected at the .05 level in favour of its alternative, to wit: UK claimants agree more strongly that the present system's rules and regulations for eligibility to draw benefits should be made easier so that it is less trouble to quality for benefits.

Question 10: The amount of benefits paid to unemployed persons is adequate. Hypothesis: UK claimants disagree more strongly (null: less strongly) than Hawaii claimants that the amount of benefits is adequate. The hypotheses of equation (6) apply. Inserting the computer results:

$$.7349 \overset{?}{>} .835 \times .340659$$

$$.7349 \overset{?}{>} .284450.$$

Since the inequality is true, the null hypothesis is rejected in favour of its alternative, to wit: UK claimants disagree more strongly than Hawaii claimants that the amount of benefits paid to unemployed persons is adequate.

Question 11: The amount of benefits paid to a claimant should match his/her usual take-home pay. Hypothesis: UK claimants agree more strongly (null: less strongly) than Hawaii claimants that the amount of benefits should match usual take-home pay. A one tailed test is appropriate; equations (5) and (5) are applicable. From equation (5) and the computer results:

$$-.674 \overset{?}{<} -.835 \times .342501$$

$$-.673 \overset{?}{<} -.285988$$

From this result, the null hypothesis at the .05 level is rejected in favour of its alternative, to wit: UK claimants agree more strongly than Hawaii claimants that the amount of benefits paid should match usual take-home pay.

Comparisons between United Kingdom and Hawaii Employers

The t-tests comparing United Kingdom employer attitudes to those of Hawaii employers were calculated and printed by the same program as that used for United Kingdom and Hawaii claimants.

Question 1: An unemployment benefit system is needed in our society.

Hypothesis: UK employers agree more strongly (null: less or equally

strongly) than Hawaii employers that an unemployment benefit system is needed in their respective societies. For UE1 versus HE1, thus, $M_{1UE} < M_{1HE}$, or $M_{1UE} - M_{1HE} < 0$: the latter becomes the alternative hypothesis in the one tailed t-test.

$$H_0: M_{1UE} - M_{1HE} \geq 0$$

$$H_1: M_{1UE} - M_{1HE} < 0 \quad (8)$$

If the difference between sample means is less than the .05 critical value, ie if:

$$\bar{X}_{1UE} - \bar{X}_{1HE} < -t_{.05} \sqrt{\frac{S^2_{1UE}}{n_{1UE}} + \frac{S^2_{1HE}}{n_{1HE}}} \quad (9)$$

then the null hypothesis (H_0) in equation (8) can be rejected and, thus (H_1) accepted.

Using equation (9) and the UE1 versus HE1 computer results:

$$-1.5626 \stackrel{?}{<} -.835 \times .315236$$

$$-1.5626 < -.263222$$

From this, the null hypothesis in equation (8) at the .05 significance level is rejected in favour of its alternative, to wit: UK employers agree more strongly than Hawaii employers that an unemployment benefit system is needed in our society.

Question 2: The fairest source from which to obtain contributions to the unemployment benefit fund is from employers only. Hypothesis: UK employers disagree more strongly (null: less or equally strongly) than Hawaii employers that the fairest source from which to obtain contributions to the unemployment benefit fund is from employers only, ie $M_{2UE} > M_{2HE}$ or $M_{2UE} - M_{2HE} > 0$, the latter is the alternative hypothesis in the following one tailed test:

$$H_0: M_{2UE} - M_{2HE} \leq 0$$

$$H_1: M_{2UE} - M_{2HE} > 0 \quad (10)$$

If the difference between sample means is greater than the .05 critical value, ie if:

$$\bar{X}_{2UE} - \bar{X}_{2HE} > t_{.05} \sqrt{\frac{s_{2UE}^2}{n_{2UE}} + \frac{s_{2HE}^2}{n_{2HE}}} \quad (11)$$

then the null hypothesis in equation (10) can be rejected the alternative accepted. If not, no finding is possible.

Using equation (11) and the computer results:

$$-.0702 \overset{?}{>} .835 \times .253147$$

$$-.0702 \not> .211378$$

Hence, the null hypothesis (H_0) cannot be rejected in equation (10).

There is no finding from the comparison of UE2 and HE2.

Question 3: The fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. Hypothesis: UK employers would agree more strongly than Hawaii employers that the fairest source from which to obtain contributions to the unemployment benefit fund is from employees only (null: less or equally strongly), or $M_{3UE} < M_{3HE}$. The hypotheses of equation (8) are applicable; equation (9) is used to perform the one tailed test. Using this equation and the computer results:

$$2.0406 \overset{?}{<} -.835 \times .35366$$

$$2.0406 \not< -.295306$$

From this, again the null hypothesis cannot be rejected; there is no finding for question 3.

Question 4: The fairest source from which to obtain contributions to the unemployment benefit fund is from both employers and employees.

Hypothesis: UK employers agree more strongly than Hawaii employers that the fairest source from which to obtain contributions to the unemployment benefit fund is from both employers and employees.

The hypotheses of equation (8) are applicable; equation (9) is used to perform the one tailed test. Using this equation and the computer results:

$$-1.7006 \stackrel{?}{<} -.835 \times .346773$$

$$-1.7006 < -.289555$$

Hence, the null hypothesis is rejected in favour of its alternative, to wit: UK employers agree more strongly than Hawaii employers that the fairest source for contributions is from both employers and employees.

Question 5: Payroll taxes for unemployment benefits should go only for workers who are unemployed through no fault of their own, not to those who quit without good cause or who are fired for misconduct.

Hypothesis: Hawaii employers agree more strongly (null: less or equally strongly) than UK employers with the above statement, ie

$M_{5UE} > M_{5HE}$. Employing equation (10) and equation (11) along with the computer results:

$$.0142 \stackrel{?}{.835 \times .2209}$$

$$.0142 < .184452$$

The null hypothesis cannot be rejected. There is no finding for this question.

Question 6: The longer an unemployed person is allowed to draw

benefits, the less urgency he/she feels to get out and find work.

Hypothesis: UK employers disagree more strongly (null: less or equally strongly) than Hawaii employers with the above statement, ie $M_{6UE} > M_{6HE}$. The hypotheses of equation (10) are applicable, equation (11) is used to perform the one tailed test. Using this equation and the computer results:

$$\begin{aligned} & \quad ? \\ .8017 & > .835 \times .290409 \\ .8017 & > .242492 \end{aligned}$$

The null hypothesis is rejected in favour of its alternative, to wit: UK employers disagree more strongly than Hawaii employers that the longer an unemployed person is allowed to draw benefits, the less urgency he/she feels to get out and find work.

Question 7: I feel that over 25% of claimants violate either the letter or the spirit of the law in some way in order to qualify for unemployment benefits. Hypothesis: UK employers disagree more strongly (null: less or equally strongly) than Hawaii employers that over 25% of claimants violate either the letter or spirit of the law in some way in order to qualify for unemployment benefits, ie $M_{7UE} > M_{7HE}$: hence the hypotheses of equation (10) are applicable, and equation (11) is used together with the computer results:

$$\begin{aligned} & \quad ? \\ 1.2376 & > .835 \times .327059 \\ 1.2376 & > .273094 \end{aligned}$$

From this result, the null hypothesis is rejected at the .05 level in favour of its alternative, to wit: UK employers disagree more strongly than Hawaii employers that over 25% of claimants violate either the letter or spirit of the law in some way in order to qualify for unemployment benefits.

Question 8: The unemployment benefits registers are heavy with layabouts, schemers, cheaters and quitters. Hypothesis: UK employers disagree more strongly (null: less or equally strongly) than Hawaii employers with the above statement. Thus $M_{8UE} > M_{8HE}$. The hypotheses of equation (10) are applicable; equation (11) is used to perform the one tailed test. Using equation (11) and the computer results:

$$1.119 \overset{?}{>} .835 \times .366327$$

$$1.119 > .305883$$

From this result, the null hypothesis at the .05 significance level is rejected in favour of its alternative, to wit: United Kingdom employers disagree more strongly than Hawaii employers with the statement that unemployment benefits registers are heavy with layabouts, schemers, cheaters and quitters.

Appendix 6-FDiscussion of "No Finding" ResultsEmployer Questionnaire

On the employer side, three statements yielded "no finding" which derives from the null hypothesis in each case not being rejected. Two of these fall in the area of who should pay the bill for unemployment benefit funding. See Table 6.7.

Statement 2 poses that the fairest source of funds is from employers only. One would expect that UK employers, who share with their employees the benefit funding costs would disagree with that proposition more strongly than their Hawaii counterparts, since the latter are accustomed to bearing the full cost. Instead, the null of that proposition could not be rejected, thus there is no definitive finding.

Statement 3 poses the opposite of its preceding relative, that the fairest source of funds is from employees only. One postulates that this indeterminate "no finding" result arose either from a conviction on the part of employers than an "employees only" funding base stands no change of enactment, therefore arguing for it is simply a waste of time; or, that placing the funding burden solely on employees is unjust since most employees become unemployed through the force of conditions over which they have no control.

Statement 5 is the last of the "no finding" results on the employer questionnaire. The null hypothesis in this case and its alternative used Hawaii employers as the anchor point; UK employers could just as

easily have been used in that role. There was no preconceived notion as to which one was the more appropriate. In this case the null is that Hawaii employers agree less or equally strongly than UK employers that benefits should go only to workers who are unemployed through no fault of their own, not to those who quit without good cause or who are fired for misconduct. Statistically, the null cannot be rejected. This suggests a congruence on this point between UK and USA employers strong enough to deny significant comparison, which is seen as a logical outcome since, in the previous qualitative section of this chapter, attitudes of UK and USA employers were judged to be solidly opposed to payment of benefits to those who become unemployed by intent.

Claimant Questionnaire

Comparison of UK with USA claimant questionnaires resulted in "no finding" for two questions, numbers 3 and 6. See Table 6.8.

For statement 3, the alternative hypothesis is that the fairest source from which to obtain contributions to the unemployment benefit fund is from employees only. Predictably, both UK and USA claimants opposed that proposition. The only unexpected element is that Hawaii claimants did not indicate their opposition more strongly than their UK counterparts. One would presume that USA claimants, accustomed to employer-only funding, would be more contentious on the subject than UK claimants, accustomed to employer-employee shared contributions.

The alternative hypothesis for statement 6, is that UK claimants agree

more strongly than Hawaii claimants that unemployment benefits should be paid to unemployed workers whatever the reason for unemployment. This hypothesis is intended to cover payments to claimants who become unemployed through their own fault. This is another instance wherein either UK or Hawaii claimants could have been used to set a hypothesis, since there was no basis to predict that either would disagree/agree more strongly than the other. Both sets of claimants generally agree with the proposition in the alternative hypothesis, but with no significant difference in the intensity of their attitude.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

These conclusions and recommendations are drawn from the four main comparison chapters of the study: legislative philosophies, procedures, fraud, and employer-claimant attitudes. These chapters vary not only in subject matter, but in the sources of data as well as in the manner of presentation and comparison. Each of these chapters should be construed as contribution in equal measure to the final product.

The purpose of this chapter is two-fold: to distill into brief discussions the net yield of the research; and, consistent with the approved research proposal, to translate such elements of that yield as appear to offer workable potential into specific recommendations for improvement of either or both the British and American systems of unemployment benefits. Certain of the recommendations emanate from a single conclusion, others from an amalgam of several conclusions; there has been no attempt to match conclusions and recommendations on a one-for-one basis. Adjunctively in this chapter, topics perceived during the course of this study as holding promise for rewarding future research are identified.

1. Legislative Philosophies

(a) Conclusion. Within the current period (1935 to present), the philosophies of "self-reliance" and "liberalisation" are inherently conflicting since eminence of either causes subordination of the

other. Liberalisation gradually assumed the dominant role in Britain from 1911 onward, and did so in the United States from the mid-thirties, in both cases as a legislated countervail against economic depression and the widespread misery of concomitant unemployment. Traditional reliance on individual effort as the key to economic security progressively eroded in both nations through the shaping and translating of more tolerant social attitudes into legislative acts which then provided increasingly generous benefits to unemployed persons. The effect of these acts has been to reduce the necessity for such persons to rely on their own efforts to achieve freedom from want for themselves and their families.

(b) Recommendation: for UK and USA. Introduce amendment to the unemployment insurance system permitting each government, through its subordinate elements to exercise an option to redefine "suitable work" as it applies to a registered claimant and require that claimant to accept an offer of a job within the new definition from an employment service agency office as provided by the latter at any time after benefits have been paid for 60 days; failure of claimant to accept such a job offer and work at it in good faith to result in disqualification from unemployment benefits during the remainder of the benefit year.

While no change to existing duration of benefits should be construed to be a part of this recommendation, the prospect that a claimant's own definition of "suitable work" may be subordinated to an official redefinition after 60 days should increase the claimant's diligence in searching for new work during that period. The traditional philosophy of self-reliance would be strengthened; this is seen in turn to lead to a reduction in total unemployment and attendant benefit costs.

2. Administrative Procedures

Conclusions drawn from comparison of British with American unemployment benefit administrative procedures derive in great measure from the degree of administrative centralisation by which each nation's system is governed. The British system operates through national-level direction, whereas its American counterpart observes a federal-state relationship under which individual states are virtually autonomous. Procedural uniformity in Britain versus significant procedural variety among the American states is the most visible characteristic of this conceptual and operational dichotomy. Research confirms that British lawmakers never seriously considered other than centralised administration. American lawmakers, on the other hand, considered both federal centralisation and federal-state decentralisation; they rejected the former because of Congressional insistence that state sovereignty remain the controlling factor.

(a) Conclusion. The British centralised system is superior to the fragmented American version, for the following reasons. First, procedural rules emanating from a single source are simpler to understand and administer. Second, as a corollary, one set of operational guidelines, one catalogue of administrative forms, one standard of claimant eligibility, and the like, all enhance the effectiveness with which procedures are communicated to claimants, employers and administrators alike.

(b) Recommendation. For USA. Introduce amendment to existing federal legislation to nationalise unemployment benefit administration, with all matters of policy and governance to be centralised under federal control for uniform application throughout the nation.

Nationalisation would streamline the entire process of administration by standardising all component elements, specifically: eligibility, duration and amount of benefits, training of administrators, control measures for prevention, detection, investigation and prosecution of fraud, and continuing review of entire programme to insure viability with changing conditions.

Nationalisation is seen to yield a two-fold effect in addition to those outlined above. First, the current attractiveness to fraud-oriented claimants of some states over others would be nullified. "Attractive" in this context refers to those states having easier eligibility standards, larger benefit payments, or less aggressive detection and prosecution machinery than other states. This would eliminate a type of unintentional inter-state competition which presently exists among that segment of the unemployment whose life-style is geared to contriving to remain on benefit registers. Second, uniformity in administration of the system would be seen by the public as assurance that equitable treatment according to one set of rules applies to all.

(c) Conclusion. The British system of shared employer-employee contributions to unemployment insurance funding is a more equitable distribution of this obligation than the preponderant American practice which obliges employers-only to make these contributions.

(d) Recommendation. For USA (U.S. Secretary of Labor). Examine the issue of employer-only versus employer-employee shared contributions to unemployment benefit funds as preamble to introducing amendment for obligatory employer-employee shared contributions.

The purpose of this examination is to determine the desirability to change current federal legislation to a mandatory shared contribution method. The economic and social climate which prevailed at the time the existing legislation was enacted has changed so markedly that this issue merits reconsideration in light of today's conditions. Current federal and state tax levies on the employer, minimum wage scales, regulations for employment of labour and other binding regulatory legislation directed at the employer all combine to suggest that change to a shared contribution system may be timely.

(e) Conclusion. "Experience rating" as a feature of the American unemployment benefit system offers a dollar-saving incentive to employers in the form of reduced unemployment insurance taxes for achieving workforce stability, thus reducing the drain on such employers' accounts in the Unemployment Trust Fund.

The British employer is provided no such incentive. His unemployment insurance tax is but one among many elements of the overall contribution to the national insurance programme. There is no means by which the British employer can, no matter how effective his creativity and industrial relations climate may be in cutting labour turnover, reduce the percentage of his per capita employee insurance contribution. To institute such incentive would be to provide practical, monetary, discernible reward to those employers who succeed in stabilising their workforce.

(f) Recommendation. For UK. Study the "experience rating" concept of USA with a view toward developing legislation to incorporate a similar device within the National Insurance/Inland

Revenue contribution-taxation schemes.

Over the years, the effect of proliferating contribution-taxation obligations, high unemployment, restrictions on the right to manage personnel - in particular the Employment Protection Act - along with other erosions of the right to manage through trade union pressure are seen by employers as inimical to productivity and the national interest.

"Experience rating" offers a time-tested (in the USA) device by which managers can be rewarded for initiative in the successful development and application of techniques which result in stabilisation of the workforce, notably in the elimination of layoffs and redundancies.

3. Fraud

Measures for detection, control and prosecution of fraud perpetrated to obtain unlawful unemployment benefits operate in accordance with the administrative pattern already indentified for each of the two nations concerned in this study: centralised at the national level in Britain, decentralised to states in the United States. Illustrated is the uniformity of the British system in the organisation and training of fraud investigators, investigative procedures and prosecution authorisations.

(a) Conclusion. Staffing, investigative methods and training programmes for fraud investigators appear more effective when established according to national standards, as under the British

system. This conclusion is derived from comparisons of British with American statistics on actual fraud cases detected, prosecutions recommended, and convictions obtained.

(b) Recommendation. For USA. (U.S. Secretary of Labor)

(1) Appoint a "blue-ribbon" panel to make a full-scale study of national unemployment benefit fraud, to include relative effectiveness of: state detection and control measures, training and organisation of state fraud investigators, administrative regulations which apply to employers, claimants and administrators of each state system, and other related areas which may be determined.

(2) Evaluate and publicise the panel's final report to stimulate public awareness of the extent of the fraud problem, and to attract support for legislation of a national organisation and training programme to cover all phases of unemployment benefit fraud detection, control and prosecution.

Such a study is within the jurisdiction of the Secretary of Labor; no evidence has been found that such an effort has been made before on a national scale. Thus, in the United States there has never been a study to approach the scope of that made by the Fisher Committee (1971-1973).

(c) Conclusion. Review^{of} the fraud-related statistics (1973 through 1977) indicate that the courts in Britain and most American states generally are reluctant to impose sentences which include imprisonment for those convicted of fraud. The tendency seems to favour sentences requiring only repayment of benefits fraudulently obtained. The punitive effect of such sentences on the convicted person, apart from a police record, is almost nil. The person convicted has been

deprived only of the time required for court appearance; since he or she is unemployed, no more than nuisance value attaches to it. Two major consequences result from this trend: the integrity of the law and the system is subjected to ridicule by the general public and by those found guilty and who escape so lightly: the deterrent value of detection and punishment is reduced to the level of a warning and is seen to encourage others to attempt fraud.

(d) Recommendation. For UK and USA. As a part of the study (paragraph 3b), explore the advantages and disadvantages of establishing mandatory sentences for fraud conviction, based on an ascending scale of severity with respect to imposition of fines and imprisonment.

The prevailing judicial climate in both nations appears over-gentle to those convicted of unemployment benefit fraud. Judges appear disposed to view such persons sympathetically and impose sentences which do little to deter recidivism. That a case for light sentences exists is admitted, a rationale being that imprisonment makes it impossible for the convicted person to find gainful employment while serving a sentence, and that prison environment and its associations might cause permanent alienation toward society's conventional patterns of work.

An opposite point of view is that the greater the degree of fraud for which an offender is convicted, as measured by amount and length of time benefits were received through wilful misrepresentation, the more severe the punishment should be. The deterrent value toward future repeats is implicit in such sentencing.

While informal attempts to persuade judges to impose more severe sentences on unemployment benefit offenders are seen as unlikely to succeed, mandatory sentences are prescribed for other types of crime and are a part of the judicial pattern. Mandatory sentences for unemployment benefit fraud conviction would remove the judge concerned from the temptation of allowing personal views to enter into the judicial equation and cause, in turn, errors either of leniency or excessive severity.

(e) Conclusion. British measures to control fraud are superior to those generally in use in the United States. This conclusion is derived from the record of the 1973-1977 period, which indicates:

(1) Britain's record of fraud cases prosecuted, of those detected, averages 45% better than that of the United States as a whole.

(2) While the number of fraud cases in Britain roughly parallels fluctuations in total unemployment, the number of fraud cases in the United States continues to increase even when total unemployment decreases, as during the period 1975 through 1977.

(3) Britain has maintained a near-99% conviction rate of cases prosecuted for fraud. The highest percentage reached by the United States in this regard is 70%, with a low of 35%.

(f) Recommendation. For UK and USA. Publicise unemployment benefit fraud cases brought to court action, emphasising the costs to society which this type of crime represents in terms of cash payments made from essentially public funds to those not entitled to receive them.

There is some publicity accorded detection and prosecution of unemployment benefit fraud in the UK, but generally it is reserved

for those cases having some sensational or otherwise unusual aspect, or in which there is Parliamentary interest. In the USA, the subject of such fraud receives occasional coverage in some local press or professional organs, but almost never in the popular press.

What is needed in both nations is a campaign, conducted by the appropriate public and press relations offices of departments concerned, to stimulate awareness on the part of the general public of the incidence, identities and penalties imposed against those charged with and convicted, or acquitted, of unemployment benefit fraud. Such a campaign should include highlighting the purposes and progress of any relevant studies and proposed legislation.

4. Employer-Claimant Attitudes

Two research approaches were followed in assessing and comparing employer and claimant attitudes toward their respective benefit systems in order to bring their indistinct dimensions into some focus. The "qualitative" approach was based on interviews, press reportage and other commentary: the "quantitative" approach on interpretation of statistical analysis of responses to questionnaires administered to employer and claimant samples in both nations. In order to allow these two approaches to assume individual character and remain as free as possible from pre-conditioned mathematical linkage, each was designed and developed independently of the other. In the case of the quantitative approach, the aim was to determine which population reacted more positively, or less positively than the other to the specific attitudes incorporated in the questionnaire statements.

(a) Conclusion. Qualitatively, Britain and the USA share common attitudes, notably a traditional orientation toward the work ethic, acceptance that public funds are appropriate for temporary income maintenance of the unemployed, and an awareness that a segment of the workforce is "voluntarily unemployed". Collaterally, both governments are seen to tolerate higher rates of unemployment than ever before and to accept attendant cost increases.

Dissatisfaction with these rising costs is a matter of Parliamentary attention and national-scale press comment in Britain, whereas in the United States such criticism is almost solely intra-state or local due to the decentralised structure of the American system. The general public and press of both nations appear increasingly militant in condemning eligibility standards and levels of benefit payments which enable some persons while unemployed to live as well as they can when in work. The label "Why Work" has been attached to this attitude of British and American claimants who have become alienated toward the work ethic and contrive to live by benefits rather than pursue gainful employment.

(b) Conclusion. Qualitative and quantitative evidence indicates that British and American employers generally concede that workers who are unemployed through no fault of their own should be supported temporarily while they search for a new job.

(c) Conclusion. British and American employers are united against the "voluntarily unemployed" and administrative procedures which appear to allow such persons to draw benefits. In this connection, a qualitative dichotomy appears between British and American employers. British employers, who share unemployment insurance contributions

with their employees within a national system which does not identify them separately from other insurance payments, are less resentful of such costs than their American counterparts. The latter, in all but three states, pay the entire cost of these benefits unilaterally under a system which identifies them as a distinct, separate item. The difference in attitude between these two sets of employers is seen to hinge on the lesser visibility of the British employer-employee share contribution in contrast to the greater visibility-cum-consciousness of the American employer-only system.

(d) Conclusion (employers).

(1) UK employers' attitudes reflect stronger agreement than do American employers that: (a) an unemployment benefits system is needed; (b) employers and employees constitute the fairest source of contributions.

(2) UK employers' attitudes reflect stronger disagreement than do American employers that: (a) the longer unemployment benefits are drawn, the less urgency claimants feel to find new work; (b) over 25% of claimants somehow violate the letter or spirit of the law in order to qualify for benefits; (c) unemployment benefit registers are heavy with those who attempt fraud.

(3) UK and American employers' attitudes reflect no significant difference: (a) in disagreeing that the fairest source of contributions is from employees-only; (b) in disagreeing that the fairest source of contributions is from employers-only; (c) in agreeing that unemployment benefits should go only to those unemployed through no fault of their own, (d) in disagreeing that rules for eligibility should be relaxed; (e) in agreeing that benefits are adequate; (f) in disagreeing that benefits should match take-home pay.

(4) American employers' attitudes reflect stronger agreement than

do UK employers that: (a) unions bring pressure on employers to help support those who choose not to work; (b) much abuse is hidden somehow from public view.

(e) Conclusion (Claimants)

(1) UK claimants' attitudes reflect stronger agreement than do American claimants that: (a) an unemployment benefits system is needed; (b) employers and employees constitute the fairest source of contributions; (c) current eligibility rules should be relaxed to make qualification for benefits easier; (d) benefits should match take-home pay.

(2) UK claimants' reflect stronger disagreement than do American claimants that: (a) unemployment benefits should go only to those unemployed through no fault of their own, (b) over 25% of claimants somehow violate the letter or spirit of the benefits law in order to qualify for them, (c) the amount of unemployment benefits is adequate.

(3) American claimants' attitudes reflect stronger agreement than do UK claimants that: (a) the fairest source of contributions is from employers only; (b) the longer unemployment benefits are drawn, the less urgency is felt to find work.

(4) UK and American claimants' attitudes reflect no significant differences: (a) in disagreeing that employees-only constitute the fairest source of contributions; (b) in agreeing that benefits should be paid to any unemployed worker without regard for reason.

Consideration of the ensemble of these conclusions based on qualitative and quantitative approaches to employer and claimant attitudes leads to a question of what may be translated from them into useful recommendations for improvement of the industrial relations climate. The term

"improvement" in this context is construed primarily as promotion of greater mutual respect and understanding between these two parties. To this dyad, however, must be added a third party - the Government - since legislated changes in the practical aspects of unemployment benefits certainly affect the attitudes of each of the other two populations.

The main obstacle in the way of a triple entente dedicated to respect and understanding is seen as the disparity which exists among the prime goals to which each of these parties is committed: employers to profitability, claimants to adequate benefits within minimum administrative obligations; government agencies to administration of benefits equitably under the law, while exercising protective control of public monies. The prospect of achieving congruence of goals among the three parties is seen as remote, yet some gains in that direction appear feasible.

Implicit in certain recommendations made earlier in this chapter are features which, while ancillary to the main purpose of a given recommendation, hold promise for improvement of employers' and claimants' attitudes toward the unemployment benefit system to which they subscribe. The legislative action taken to cause such improvement is sometimes poorly perceived because of suspicion that its proponents have an ulterior motive beyond the public interest. Yet progress in industrial relations legislation, as is the case in other fields, is made in spite of both overt and furtive opposition.

Discussed below are those recommendations which include promise of attitudinal change in addition to their main purpose.

(a) (Recommendation 1b) Redefinition of "suitable work" is seen as a means of forcing claimants who may be adherents of or leaners toward the "Why Work" attitude to make efforts to rejoin the active workforce. This recommendation would almost certainly be a target of hue and cry from such claimants because of the threat to their workshy lifestyle implicit in redefinition concept. Yet, in the long-term, these same claimants may be stimulated toward a renewal of self-reliance, perceived to be in their best interest and that of society as a whole. This recommendation is a relatively minor administrative measure when viewed in isolation, but one which has the potential to rekindle individual self-esteem in those who may consider themselves by default as part of the hard-core unemployed, simply because they have not been obliged by external pressures to change their status.

(b) (Recommendation 2d) Finance unemployment benefits through joint employer-employee contributions. The major effect would be felt by claimants in the USA, and would doubtless provoke loud protest from them. Employees in work would play a part in providing the funds which would aid them when jobless. This would enhance their self-image in that they wouldn't be recipients of "charity" provided by others; this is seen as a long-term advantage for both claimant population and society as a whole.

(c) (Recommendation 3f) Publicise unemployment benefit fraud cases brought to prosecution, emphasising the costs and nature of offences, identities of those convicted, and sentences imposed. The major effect is seen as increasing the visibility of unemployment benefit fraud incidence in the consciousness of all segments of the public. It is believed that this effort would act to restrain and

deter claimants who may be considering fraud as a means of augmenting their income. Further, it would reassure the other sectors of the public that positive steps are being taken to protect the intent of unemployment benefit legislation against subversion.

Suggested Topics for Future Research

During the conduct of this study, certain subject areas were identified as having potential research value which could not be accommodated within the approved framework of this study. Discussed below are those which appear to have implicit merit for improving specific aspects of industrial relations

a. Cost-Benefit Analysis of Unemployment Benefit Fraud Investigation-Prosecution, Conviction Procedures and Deterrent Effect on Recidivists.

This subject area involves a dual effort: to determine the incidence of recidivism in a specific nation with respect to unemployment benefit fraud; second, to compare the number of those convicted for a single offence with those convicted for multiple offences over a period of time. The results of such a study should reveal the efficiency quotient of current fraud control measures and suggest improvements to achieve greater effect and economy.

b. Comparative Study of British and American Claimant-Employer Attitudes Toward Unemployment Benefits (and/or other benefit programmes).

This subject area obviously is derived from the scope of this instant study. As mentioned in the chapter on attitudes, this area was considered during the conduct of this study, but was incompatible with the approved research design. It is likely that this topic would cast

greater light on the conflicts which currently exist between employers and employees-potential claimants and lead to remedial efforts.

c. Development of Comprehensive Training Programme for Special Investigators of Unemployment Benefit Fraud.

This research topic would require close examination of current investigation and training methods, and evaluation of defects in light of duration of training, in-house versus ex-house training options, associated costs, and cost-benefit analysis. This topic has especial value for the USA.

d. Comparative Study of (British) (American) and EEC Nations' Unemployment Benefit Systems.

While the problem of unemployment has substantial status as a subject of international study and comparison, unemployment benefit systems as one of its components receives relatively casual attention. Moy and Sorrentino (Monthly Labor Review, January 1974 and June 1975) compared unemployment in nine industrial nations, but accorded little space to unemployment benefits as a costly social aspect of that whole subject. Implicit in this topic is an opportunity to render service to a number of countries where unemployment is cause for growing anxiety.

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